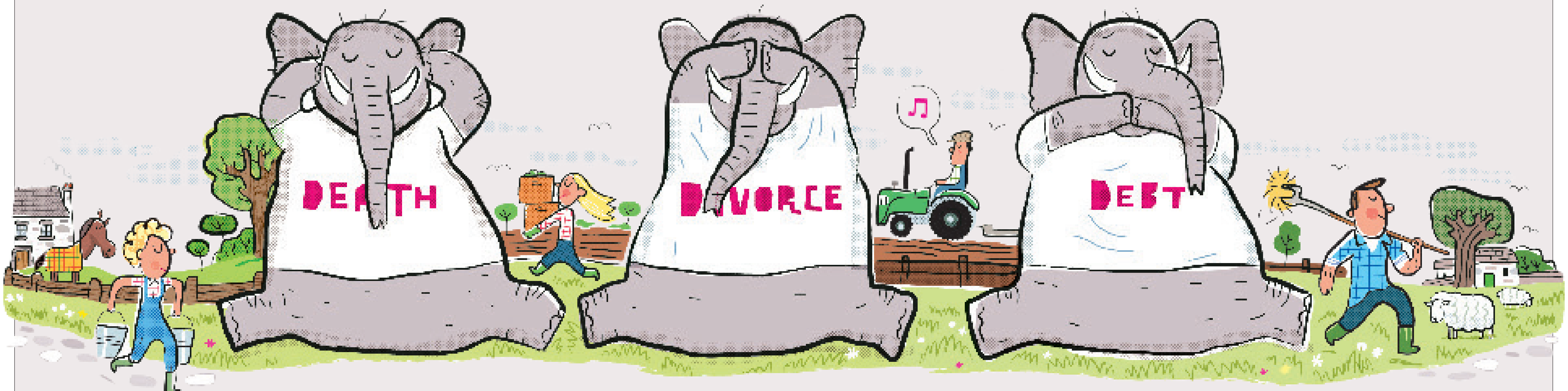

Time to open discussions

Most farming families have an elephant in the room, whether it's death, divorce, debt – or all three. But addressing these is vital to create a robust succession plan. So how should farmers go about starting this delicate conversation? **Olivia Cooper** finds out

There is a common saying in farming: Live as though you'll die tomorrow, but farm as though you'll live forever.

We all know we won't last for ever, and most farmers want to hand over a thriving business to the next generation – so why is it so difficult to broach the subject and have an open, sensible conversation about it?

Only 40% of farming families have a succession plan in place, reveals research by *Farmers Weekly* in association with NFU Mutual.

Some 46% said the conversation was too difficult to have, while 18% said family conflict or instability made succession planning challenging.

But that shouldn't stop families from pushing forward and making the difficult decisions: Delaying or abandoning hope of a succession plan threatens the future viability of the business, and the very relationships that families hope to preserve.

Siân Bushell, a family farm business facilitator, says a succession plan should form part of the overall business plan, and therefore be an ongoing conversation.

But for those who haven't yet broached the subject, when is the best time to do so? "If you have young children who know they want to go into farming, you and they need to think about what qualifications will be needed in the future," she says.

But what about those who have left it later than that? "Often, one or two family members feel succession should be talked about, and it's up to them to persuade the others. Draw up an agenda of topics that need to be discussed, and a date for the meeting, and if they are still not keen, say that you'll go ahead without them and inform them of the outcome afterwards – they'll usually turn up."

Although it is tempting to hold the meeting around the kitchen table, it is important to choose a neutral venue, and it is often best to go off-farm for a day, adds Mrs Bushell. She advises getting the land agent or accountant involved, and having an independent facilitator to ensure everyone gets to have their say. "Everyone who has an influence on the business – even indirectly – should be there, so that includes spouses and maybe their children," she says.

INDEPENDENT THINKING

"Having a facilitator ensures you don't skirt around the difficult issues, will identify possible pitfalls, and keep everyone on their best behaviour. If someone is going to cause a problem it's better to involve them than leave them out – once everyone has had their say you're more likely to reach an agreement."

Before starting the meeting, Mrs Bushell suggests nominating a chairman, who should ideally be independent, a good communicator, and calm under pressure. Then establish ground rules so that everyone gets their time to speak, with no interruptions or aggravations.

"Another trick I use is to get the off-farm family members to speak first, and hold the heads of the family until last. If Mum and Dad speak first everyone tends to follow their lead."

Mrs Bushell suggests treating ownership of the land and the business as separate issues, as the succession plan can be different for each aspect. And finance details should be clear from the start. "Misinformation only causes difficulties – it's far better to be absolutely open if the business is heavily in debt, for example.

"If people are expecting to succeed but there's actually nothing to pass on, then it's not fair to hide that. And don't be afraid of conflict. I don't mean shouting and bawling, but airing disagreements can be a good thing."

Common areas where problems arise include when parents decide who will take over the business, and then stop including other family members in discussions. "It's a big mistake – if people feel things are being decided behind their back they start to kick up a fuss. It's really important to keep everyone informed," says Mrs Bushell.

"You also don't have to be equitable to be fair – talk to everyone about what they think is fair, because it means different things to different people."

> *** Once everyone has had their say you're more likely to reach an agreement**
> Siân Bushell

When it comes to discussions over retirement, it is essential that the older generation put a figure on what they will need to take from the business as a pension fund, she adds. "You have to be realistic – don't skate over it, because everyone needs to know where they stand."

It is the same with tenanted farms where the farmer feels they can't afford to retire. "Get the figures up on the board and talk about it."

Sensitive topics such as divorce, death and incapacitation, should also be discussed. "A lot of people are frightened of divorce, so get some plans in place – and don't forget the older generation can get divorced just as easily as the younger."

At any trigger point, including marriage and births, people should reassess their wills and the succession plan – and get legal documents, such as powers of attorney, in place at an early stage.

WHO HELPS?

Other details which are worth discussing include who will look after the older generation should they require help. "Often it's the person living on the farm, but perhaps the responsibility can be shared, or maybe there should be some recognition or payment for their time." And what happens if they require nursing care – the farm may have to be sold to pay for that, so timing of the handover of assets is critical.

Although the initial meeting is likely to take a full day, review meetings with the whole family once or twice a year can be much shorter, says Mrs Bushell.

"Succession is very much part of good business governance. It's all about good communication – the biggest problems arise through lack of communication."

If people don't have an immediate successor lined up, they should consider share-farming or a joint venture with a new entrant. "Speak to your local Young Farmers' Club, land agent or levy board for personal recommendations, and have a facilitated meeting to make sure you have the same goals.

"And be clear on the figures – make sure there's enough for you both to live off."

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Let's talk succession

A six-part series by *Farmers Weekly* and NFU Mutual to get families talking about the elephant in the room – the future of their farm business.

Read parts 1 and 2 at **www.fwi.co.uk/succession**

START THE CONVERSATION

Share your experiences, suggestions and tips:
#ElephantOnTheFarm
farmers.weekly@rbi.co.uk
Letters, *Farmers Weekly*, Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS

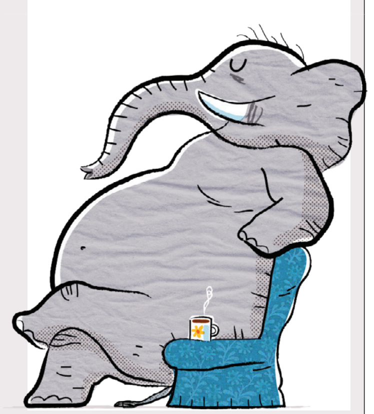

ILLUSTRATION: NED JOLLIFFE

'We're no longer afraid to talk about it'

CASE STUDY

THE RENDALL FAMILY

Bringing in outside help can make starting the succession planning conversation easier – especially when there are lots of people involved, as in the case of the Rendall family (above).

* Robert Rendall and his family started their succession planning in 2009 after his aunt, a director in the business, met international family consultant Peter Leach at a conference. It was never going to be a straightforward process, due to the diversified nature of the company and the number of potential successors, but they soon found a clear way forward.

"My aunt is one of five siblings, who are all shareholders, and four of whom work in the business," says Mr Rendall, whose grandmother Devora founded the business. "I'm one of 12 grandchildren, most of whom are now married and now have 17 children of their own."

The Boxford Group owns Boxford (Suffolk) Farms – named Top Fruit Grower of the Year 2015. It grows 500t of soft fruit and nearly 3,000t of apples a year. Farming is at the core of the business, which owns Stoke by Nayland Hotel, Golf and Spa, including two golf courses, an 80-bedroom hotel and 10 country lodges. It also owns Peake Fruit, which stores, packs and markets over 4,000t of apples and pears.

"The five shareholders are all either approaching or over 60, and we started talking about managing the handover and making it fair," says Mr Rendall. The family enlisted the help of Peter Leach, who initially spoke to everyone with a potential interest in the business individually, to ascertain their expectations, future plans and concerns.

"We all did a personal profile assessment, which was interesting, to identify the different characteristics of the people involved."

Mr Leach then presented his findings to the family. "It was a real surprise – most of us had the same values and attitude to the business, which was that it was being passed down to the next generation; we wanted to honour Devora's vision for the business, but not be hamstrung by it," says Mr Rendall. Mr Leach explored appropriate business models for the family, and recommended what he called the Custodian Model.

Under this, each shareholder may pass or sell their shares to any blood (or adopted) relative. Every year or two the whole extended family are invited to an assembly to keep that connection open. There is also a family council of 10 people representing each branch and generation, which interfaces with the board and trains future shareholders.

Although the family is close-knit, Mr Rendall believes it was vital to use an independent facilitator. "The big thing is to sit down and start talking – what you don't know you second-guess. There are always going to be misunderstandings, but having a facilitator defuses any emotional situations and makes it a focused and structured process."

One of the more difficult discussions was around retirement planning for the current shareholders. "They underpaid themselves for years as they grew the business – every penny went back into growth, we need to recognise that without crippling the business now," says Mr Rendall. "But getting it all out there has provided the framework for proper, healthy discussion of all the different perspectives, and the mechanism for change."

> *** We wanted to honour the vision for the business, but not be hamstrung by it**
> Robert Rendall (below)

The discussion also unveiled a small but important bone of contention between the families: Mr Rendall's grandmother Devora was married twice, and her first children did not share the Peake family name. "They felt as if they weren't involved, so we now refer to ourselves as the Devora family rather than Peake – it's a small thing but it was a big issue."

With so many potential shareholders, and only a few actually working in the business, how are the profits divided? "Because we can't sell shares outside the family, they don't really have much worth, but we do pay some dividends to all the shareholders," says Mr Rendall.

Those actually working in the business receive a decent salary to reflect their input. "When I inherit I will only have a 6.66% shareholding – there's a danger of devoting everything to the business and ending up with nothing, so it's important anyone working in the business is paid properly," he adds.

As a limited company, the Boxford Group owns all the assets, which removes the need to plan for that handover. But what happens if someone wants to release their investment?

"We don't know that yet," says Mr Rendall. "Our turnover and finance is based on our land bank, so it would affect us if we had to sell some land.

"We could perhaps sell an asset, or build up a fund – and we have looked into issuing preference share options," he adds.

"We also need rules on how many shares can be withdrawn within a certain time period. It's not resolved yet, but the structure allows for the dialogue – at least we're no longer afraid to talk about it."