

Family Farm SUCCESSION AND TRANSITION PLANNING

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The 2021 Census of Agriculture, the most recent available, shows that the average Canadian farmer is 56 years old and that the median age is 58. These statistics are startling, especially when you consider that the standard age of retirement in Canada is 65 and that anyone who has contributed to the Canada Pension Plan can begin collecting their pension as young as age 60. Almost 31 percent of Canadian farmers are ages 35–54 leaving only 8.6 percent who are 35 or younger.

Statistics Canada also tracks the number of farms that have a succession plan. The 2021 Census of Agriculture showed that 6,673 more farms reported having a succession plan than in 2016 which is encouraging, but that figure is only 12 percent of Canadian farms. Interestingly, farms classified as oilseed and grain farming accounted for the largest share of farms reporting a

succession plan in 2021 (44.5 percent). Canada's beef industry needs to make farm succession planning a priority.

Broaching the Subject

The term succession is gradually giving way to transition, perhaps because transition suggests a more gradual and collaborative approach. Regardless of how you choose to refer to it, succession or transition should be included in every farm or ranch management plan—something that every farm and ranch should have—to ensure stability and minimize disruptions and risks, yet the topic is often avoided because it causes awkward conversations and emotional arguments and can even lead to family members not speaking.

The importance of communication can never be underestimated, no matter the situation. When it comes to farm succession and transition, there is no ideal time to start the discussion. It may be difficult to set a plan in place when parents are barely established and children are infants, but having an emergency succession plan in place from the beginning will make it easier to change and evolve the succession and transition plan of choice, provided that plan is regularly reviewed and revised.

Open and honest communication from everyone involved in the operation is critical, no matter what your thoughts are. There are endless scenarios—parents intend to hand over or sell the family farm

to one or more children; parents will sell the family cattle business and divide the proceeds among their children; children want to pursue off-farm interests and plan to have little or no involvement with the family farm; a hired employee would like ownership opportunities; all children want to take over the family farm; no one has any idea what they might want in 10 years—the importance of being open and honest with each other cannot be overstated.

Considerations

Transition and succession are not always an immediate family discussion or consideration. Transition may mean leasing some or all of the farmland, cattle and equipment; selling the land, cattle, and/or equipment to a neighbour to assist with their transition and succession plans; leasing or selling the land, cattle, and/or equipment to someone who is starting out; selling the farm operation to a corporate entity. There are numerous possibilities and no single correct answer.

When it comes to farming and ranching, there are decisions to be made about transitioning the ownership of the land and buildings, the cattle, the equipment, and the farm company. In the case of the purebred Angus business, decisions may also need to be made about the herd name and tattoo letters.

Sometimes the children of a farm family find off-farm careers, are not interested in continuing the family operation, or have established themselves elsewhere because the parents were not ready to transition ownership/management when the children were ready to take on more responsibility. Sometimes the transition from one generation to another involves extended family members such as nieces and nephews, or grandchildren if the parents and their children have worked hand in hand and are both ready to step away.



Gradually or suddenly, active producers may find themselves ready to hand over the reins only to discover that there is no one to hand them to. Decisions made in panic or anger are unlikely to be the best decisions.

An often-overlooked element of succession and transition is knowledge transfer. Passing on the history of how and why management and daily and seasonal operational decisions have been made and are followed now as compared to what was done 20 or 30 years ago are just as important as sharing where equipment regularly gets stuck, the areas of road that tend to ice up, where fence posts are most likely to fall over, and where cattle like to hide.

Fair Does Not (Always) Mean Equal

Sometimes succession means that one child will inherit or take over the family farm which may include the land base, livestock

and equipment. Succession and transition plans need to account for the value of land, buildings, livestock and equipment. The reality of a farm or ranch often means that not all adult children will share the land or house. It may well be that one child will take over or inherit while other children will pursue other endeavours. In that circumstance, what is fair to all children may not be an equal portion of the estate. Regardless of how the land, livestock, machinery and other assets will be distributed, the succession plan should account for gifted vehicles, college or university tuition and expenses, machinery, whether or not adult children have been paid wages for their contributions, and other significant financial and supportive contributions.

A Handshake is Not Enough

Once a succession or transition plan is decided, it is important to capture all the

details in writing. Where necessary, consult with lawyers, accountants, bankers, farm management and farm transition experts to ensure appropriate agreements are in place. Beyond deciding who gets what property and who takes on which role, the succession or transition plan includes taxation, legal and estate considerations.

Developing the formal plan for succession and transition provides clarity for everyone involved. Once an agreement has been reached, it is important that the plan is regularly reviewed and revised when necessary as farm succession and transition is a lengthy process, even in an emergency situation. Families may need to implement job descriptions with clearly defined areas of responsibility and boundaries and regular meetings. Above all, open and honest communication at every stage is crucial.

Resources

No matter where your family is in your transition process, there are numerous resources available, many of which are free. There are numerous farm succession specialists and companies including banks and accountants that offer succession and transition resources. Look at or consult with your provincial government and beef and agricultural associations, watch for succession workshops held across the country and for succession speakers and experts available for one-on-one consultations at industry conferences and events.

Farm Credit Canada (FCC)

FCC is a federal Crown corporation reporting to Canadians and Parliament through the Minister of Agriculture and Agri-Food. FCC provides financing and other services to customers across Canada and has numerous resources dedicated to farm transition planning. FCC Agriculture Transition Specialist Anessa Good often speaks on this topic at agriculture industry conferences and events.

Visit www.fcc-fac.ca/en/knowledge.html and search “transition” for videos, articles and links.

Farm Management Canada

Farm Management Canada is an umbrella for farm business management. They are the only national organization dedicated exclusively to the development and delivery of resources, information and tools to support farm business success.

Visit <https://fmc-gac.com> and select both Programs + Services and Resource Centre for information on transition.

Because I Love You List

In 2016, Angie Fox and Maggie Van Camp bravely shared how they suddenly lost their husbands in farm accidents shortly before Christmas and became young widows with children and farms to run. Both families had good management plans in place that helped Angie and Maggie to keep their farms operating. The article, which includes topics to cover for your own emergency transition and succession planning, is still available in the Manitoba Cooperator archives (www.manitobacooperator.ca).

