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Development Corporation**

Farm Succession and Inheritance – Comparing Australian and International Trends

A Report for the Rural Industries Research and Development Corporation

By Elaine Barclay,
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Foreword

The International Farm Transfers Study compares trends in farm succession and retirement across continents. While previous studies of the succession process have tended to focus upon the transfer of physical assets, such as land and other fixed capital, the International Farm Transfers Study examines the transfer of the intangible assets of farm businesses between generations on family farms, such as the transfer of managerial skills and specific farm knowledge. To date, studies have been conducted in England, France, Ontario and Quebec in Canada, Iowa, Virginia, Pennsylvania and California in the USA, Japan, North Germany and Poland.

This project involved the replication of the International Farm Transfers Study Survey in Australia. The results provide a comparison of Australian trends in career progression, farm succession and retirement with those in other countries to reveal the extent to which the Australian experience reflects patterns elsewhere in the world, and the extent to which the Australian experience is unique.

This project was funded from RIRDC Core Funds, which are provided by the Australian Government.

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Peter O'Brien

Managing Director

Rural Industries Research and Development Corporation

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Information contained in this paper/report is drawn from the FARM TRANSFERS project which is an international research collaboration initiated by Professor Andrew Errington of The University of Plymouth (UK) and John R. Baker of Iowa State University (USA) (jrbaker@iastate.edu). The project is based on a survey questionnaire originally developed by Professor Errington and subsequently replicated in a number of different countries using the questionnaire to provide a standard set of data to be added to the FARMTRANSFERS database. However, the authors alone are responsible for the analysis contained in and views expressed in this paper.

We are indebted to the farm families who gave their time to complete the surveys and without whom the study would not have been possible. We are particularly grateful to those who took the time to provide additional comments and suggestions, which provided greater insight into the views of farm families on the issue of farm succession, inheritance and retirement.

Special thanks should be given to Ruth McGregor for her efficiency in entering the data and to Jean Harris for her expertise in the preparation of this report.

All errors and omissions remain the responsibility of the authors.

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Abbreviations

ABARE	Australian Bureau of Agriculture and Resource Economics
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
DPI	Department of Primary Industries
LOC	Locations
NSW	New South Wales
NT	Northern Territory
QLD	Queensland
RLPB	Rural Lands Protection Board
RMB	Roadside Mail Box/Bag
RSD	Roadside Delivery
SA	South Australia
TAS	Tasmania
USA	United States of America
UK	United Kingdom
VIC	Victoria
VDACS	Virginia Department of Agriculture and Consumer Services
WA	Western Australia

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Executive Summary

What this report is about

This project involved the replication of the International Farm Transfers Study Survey in Australia. The International Farm Transfers Study compares trends in farm succession and retirement across continents. While previous studies of the succession process have tended to focus upon the transfer of physical assets, such as land and other fixed capital, this project examines the transfer of the intangible assets of farm businesses between generations on family farms, such as the transfer of managerial skills and specific farm knowledge.

Who the report is aimed at

This report is aimed at policy and decision makers who are involved in aged pensions and farm succession education programs as well as landowners who looking to make more informed decisions about their inheritance.

Background

The transfer of the family farm business from the older to the younger generation is a fundamental aspect of farm development. Unlike other businesses, family farming is characterised by an intimate connection between the farm as a place of work, career and family tradition. What impacts upon one aspect of farming, will impact upon all. As the vast proportion of Australian agricultural businesses are family owned and operated, how families plan and manage succession, inheritance and retirement is a concern for the whole agricultural industry. Previous studies have noted the difficulty and complexity of succession planning as farmers seek to meet three conflicting objectives: to maintain a viable farm business for the next generation, to treat all of their children fairly and to provide for their own retirement.

Objectives

The purpose of this study was to provide a comparison of Australian trends in career progression, farm succession and retirement with those in other countries participating in the International Farm Transfers Study. Specifically, the project sought to examine and compare the transfer of intangible assets of the farm business, such as managerial skills and specific farm knowledge between generations on the family farm, between various cultures.

Methods

To date, studies have been conducted in England, France, Ontario and Quebec in Canada, Iowa, Virginia, Pennsylvania and California in the USA, Japan, North Germany and Poland. For the Australian study, the survey was mailed to 5000 farm families across the country in the winter of 2004. The response rate to the survey after allowing for 'return to senders' was 36%, providing a sample of 1180 farm families for analysis.

Results

Most of the respondents to the survey were full-time farmers with at least one family member working on the property. Despite some evidence of shifts from the family farm toward large corporate farms in Australia, most farm families are tending to remain within traditional legal structures of property ownership, such as family partnerships or sole operations, and employing only family labour. Traditional legal structures can be used by farmers as a legitimate means of protecting values pertaining to property, family and inheritance. However, the study found that younger farmers favoured newer forms of business structure. Therefore, there is opportunity for change.

Retirement

More Australian farmers prefer semi-retirement than those in other countries. Most plan to retire or semi-retire at age 65, which is older than the planned retirement age of farmers in Canada, France and England. Australian farmers who plan to retire at older ages (70 and over) tend to prefer semi-retirement. Yet, one fifth of the respondents reported they intended to retire or semi-retire at an age younger than 55 years. A greater number of these farmers were on smaller farms.

Half of the respondents planned to move from their current home when they retired or semi-retired. Most intended to move to town, which allows for continued involvement at various levels in the farm business. In comparison with other countries, Australian farmers' planned sources of retirement income are fairly evenly spread across a range of options. A slightly greater number of respondents planned to support themselves in retirement through the sale of farmland and other farm assets. Several respondents reported that they would prefer to support themselves in retirement through the aged pension but their legal involvement in the farm business meant that they are ineligible. These farmers are not keen to transfer ownership of their land and forgo security in their declining years and be entirely dependent upon the pension.

Compared with other countries, there is generally more discussion relating to succession and inheritance issues within Australian farm families. More Australian farmers discuss their plans with accountants. Twelve per cent of Australian respondents had not discussed these issues with anyone although this was a low proportion in comparison with farmers in other countries.

When asked what they would miss about farming when they retired, values of independence, hard work and purpose in life were reflected in many of the respondents' comments: values traditionally associated with farming. Nevertheless, the hard physical demands of farming and the difficulties imposed by drought and financial stresses were aspects of farming that respondents reported they would be pleased to leave behind when they retired.

Succession

Across the whole sample, just over half had identified a successor for their farm business. These successors were most likely to be a son. Most daughters are excluded from inheritance of land. Daughters are provided with a good education as compensation. Successors were better educated than their parents. Many farm families see farming as a low return business and are increasingly encouraging their children to gain tertiary qualifications in areas outside agriculture and then if the children choose, come home to the family farm.

Farmers tend not to consider succession before the age of fifty but compared to farmers in other countries, they are at a younger age when they select a successor. Farmers on smaller farms were less likely to have nominated a successor. Properties greater than 50 000 hectares were also less likely to have a successor. This is possibly because many large outback properties tend to be run as companies rather than simple family farm business structures.

In Australia, as in Canada and England, successors were most likely taking a *direct route* towards taking over control of the property; working alongside the older generation on the family farm. As found in most other countries, farm size clearly impacts upon successors' options. Successors on smaller farms were more likely to be working off-farm. More Australian successors were taking a *professional detour*, either running a non-farm business, employed on another farm or working in off-farm employment than successors in most other countries. The other option was the *separate enterprise* where successors were working on the farm but held full responsibility for a particular enterprise within the farm business; in most cases these were cropping or livestock enterprises. Others were in the best position of having a full partnership with the older generation. Most of this group also held full responsibility for a separate enterprise within the farm business.

There were similarities between Australian farmers and their English counterparts in attitudes and patterns in transfer of managerial responsibility to successors, which occurred at a much slower rate than in other countries. However, this may be a consequence of more farmers who have retired depending upon the farm as income in retirement. In such circumstances, the older generation may never relinquish legal control, often retaining ownership of the land until death and therefore maintaining a measure of control over the farm business. On Australian farms, as is the case on farms in all other countries, financial decisions are the last responsibility transferred to the younger generation. The major differences were that successors on Australian farms were less likely to have control over decisions regarding the long-term balance and type of enterprise, and decisions relating to

the purchase of machinery and equipment. This may possibly be due to the larger size of operations in Australia than elsewhere, and the size and cost of machinery.

Factors influencing succession and inheritance

Several factors impact upon farmers' plans for succession and inheritance including the possibility of divorce within the family and the subsequent loss of all or part of the family farm in family court settlements, the impact of assets and income tests on eligibility for pensions and the impact of government taxes, the financial pressure caused by escalating costs, the persistent drought and the need to preserve the viability of a farm business.

The study revealed that a rural ideology, which largely emanates from predominantly Anglo Saxon traditional approaches to succession and inheritance significantly impacts upon farmers' attitudes and values and consequently the way in which they approach retirement, succession and inheritance. Most respondents believed that passing the farm onto a sole heir was the best way to maintain the farm within the family and to maintain a whole, viable farm business. Other respondents believed that all children should inherit equally. Some reported they would sell the property in order that all their children would receive an equal share in the inheritance.

Two-thirds of the respondents were farming land that had been in their family or their spouse's family for several generations. Most farms were in the family for an average of three generations. Those who reported a long history of familial connection to their land were mostly of English heritage. Respondents who were descendants from a diverse range of ethnic backgrounds, such as Russian, Hungarian and Basque, displayed a clear preference for ensuring all family members have an equal share of the farm business.

Several respondents commented that succession planning was an extremely difficult and complex process for everyone involved. Many called for more information on farm succession.

Recommendations

It is recommended that:

- The Government persist with and promote farm succession education programs to encourage the movement away from traditional inheritance norms and practices
- The Government review eligibility requirements for the aged pension and assess the numbers of farmers who may be unable to retire because of their situation.

Chapter 1: Introduction

1.1 Introduction

The transfer of the family farm business from the older to the younger generation is a fundamental aspect of farm development. The process can create both opportunities and constraints on the sustainability of the farm business that other non-farm businesses rarely experience (Tually 2001). For unlike other businesses, family farming is characterised by an intimate connection between the farm as a place of work, career and family tradition. What impacts upon one component, will impact upon all. Furthermore, the generation gap between the farm manager and the successor is larger and the assets to be transferred more varied than in corporate businesses (Uchiyama et al. 2004). Tually (2001) adds that family farming is not small business. The average family farm investment is about \$1.5 million. Therefore, as the vast proportion of Australian agricultural businesses (94%) are family owned and operated (Wright and Kaine 1997), how these families plan and manage the transfer of the farm family business to the next generation is a concern for the whole agricultural industry.

The farm business transfer involves three distinct inter-related processes (Gasson and Errington 1993:204-6). *Inheritance* signifies the legal transfer of ownership of the business assets including the land, which is often the principle asset of the business. In Australia, land ownership is fundamental to the culture of family farming as a way of life. Land ownership provides farmers with independence and control over their working and living environment. Tenancy agreements are rare as rent is difficult to sustain given the variability in income that Australian farmers endure (Wright and Kaine 1997). *Succession* refers to the transfer of managerial control over the use of these assets, while *Retirement* marks the withdrawal of the current manager from active managerial control and/or involvement in manual work on the farm (Gasson and Errington 1993:204-6). Although conceptually distinct, the three are clearly related. Retirement is the mirror image of succession—as the new generation succeeds, the old generation retires—and since ownership confers the ultimate legal right to take decisions over the use of assets, inheritance automatically reassigns managerial control (Errington and Lobley 2002).

Whilst inheritance will usually occur immediately following the death or the retirement of the farmer, succession is a continuous or multi-phase process, which may begin when children (usually sons) are relatively young. Over time, there is a gradual delegation of responsibility to the sons working within the farm business. This may culminate in a true partnership between the two generations, which may or may not be recognised in a legal form. The process is complete when the older generation retires from active involvement in the farm business and transfers the legal title of the land (Symes 1990). Succession can often be a difficult, complex and protracted process depending upon individual economic and family circumstances (Potter and Lobley 1992). The retiring generation must endeavour to meet three difficult objectives: to treat all their children fairly, to maintain a viable farm business for the next generation, and to provide for their own retirement (Gamble et al. 1995). The management of the succession process is influenced by the personal, social and business values of farmers, their families and the wider community. If not properly handled, the process can lead to confusion, uncertainty and suspicion, and can result in deeply damaging divisions between family members. Ideally, succession planning should be a major part of the long-term business plan for the farm. Effective advance planning in these areas can provide a sense of confidence and security and thus help preserve harmony within the family (Symes 1990:280).

There have been several studies conducted in the past decade that have explored farm succession, inheritance and retirement in Australia (e.g. Gamble et al. 1995; Kaine et al. 1997; Foskey 2002; Crocket 2004; Gamble and Blunden 2004). However, until now, there has not been a study specifically designed to enable a direct comparison of the Australian trends with those in other parts of the world. The purpose of the present study is to enable such a comparison through participation in the International Farm Transfers Study. Furthermore, most studies in Australia as well as overseas have tended to focus upon the transfer of physical assets, such as land and other fixed capital. Few studies have explored the transfer of intangible assets of the farm business such as managerial skills

and specific farm knowledge (Uchiyama et al. 2004). The International Farm Transfers Study seeks to examine and compare between various cultures, the transfer of managerial skills and specific farm knowledge between generations within family farm businesses.

1.2 The International Farm Transfers Study

The International Farm Transfers Study originated in the United Kingdom in 1990 when Professor Andrew Errington of the University of Plymouth first developed the *Farm Succession Survey* (Errington and Tranter 1991). Professor Errington initially conducted a survey of farmers in England with the Centre for Agricultural Strategy at The University of Reading in 1991. There have been a series of subsequent studies conducted in several other countries, including:

- France in 1994 with the *Institut Supérieur d'Agriculture* in Lille
- Ontario and Quebec, Canada in 1997
- England again in 1997
- Iowa in 2000 with Professor Michael Duffy and Mr John Baker of the Beginning Farmer Center, Iowa State University
- Japan in 2001 with Professor Shunsuke Yanagimuru of Rakuno Gakuen University
- Virginia, USA, 2002
- Pennsylvania, USA, 2003
- North Germany, 2004
- Poland, 2004

The primary objectives of these collaborations are to:

- Confirm the elements of farm succession plans
- Establish whether or not there is an identifiable career ladder in farm business successions
- Determine the educational needs of farm business owners
- Compare the patterns of succession between countries
- Create a data archive that is available to research collaborators.

1.3 Objectives of the present study

The present study involved the replication of the Farm Transfers Survey in Australia. The project sought to provide a comparison of Australian trends in career progression, farm succession and retirement with those in other countries participating in the Farm Transfers Study. The study also aimed to identify new and emerging trends for the timing and process for entry into, and progression within, a career in farming by the anticipated successor. It was hoped that comparisons of the Australian experience with that elsewhere in the world would help to identify to what extent the Australian experience reflects a pattern evident elsewhere in the world and to what extent the Australian experience is unique. The specific objectives of the project were to:

- Conduct the International Farm Succession Survey with 4000 farmers across Australia
- Provide a comparison of Australian trends in career entry, progression, farm succession and retirement with those in five other countries—United States of America, Canada, the United Kingdom, France and Japan
- Establish the career ladder in farm business successions in Australia and identify how this may differ from that in the other countries participating in the international study, and differ from career ladders suggested by earlier farm succession studies within Australia
- Identify the educational needs of farm business owners and suitable timing for specific types of educational programs within the farming career cycle, including preparation for entry to and exit from farming.

1.4 Structure of the report

In Chapter 2, a review of the literature both here and abroad relating to farm succession, retirement and inheritance is presented. In Chapter 3, the methodology employed in conducting the International Farm Succession Survey in Australia is outlined. In Chapter 4, the findings of the analysis of the data gathered from the survey are provided. Where data were available from the International Farm Transfers Study, comparative analyses were conducted and the findings are presented. In Chapter 5, the findings are discussed, some conclusions are drawn and recommendations made for future research and for policy and programs for farm succession and inheritance.

Chapter 2: A Review of the Literature

2.1 Introduction

This chapter presents a review of the Australian and international literature on farm succession and retirement. The literature searches used the World Wide Web, the University of New England's Library and various electronic databases. Several unpublished papers were sourced from participants in the International Farm Transfers Study. The review begins with a discussion of the ageing farm population and the implications for the future of Australian agriculture. This is followed by a review of Australian studies that have examined farm succession, inheritance and retirement. This review draws heavily upon a previous nation-wide study of succession and inheritance in Australia conducted by the author (Kaine et al. 1997). A summary of the international studies that have previously been conducted as part of the International Farm Transfers Study is also provided.

2.2 Australian farm families

Farms in Australia have traditionally been family businesses that are passed on to successive generations. The 2001 Census revealed that the majority of farms are family-operated businesses, with around 99% of broadacre and dairy farms operated by owner-managers (ABS 2003). Currently, there are some 110 000 family farm businesses in Australia with an average value of \$1.5 million (Tually 2001; ABS 2003). These family farms generally have simple legal structures (sole proprietors or family partnerships) and usually only employ family labour (McAllister and Geno 2004).

In 2001, 54% of farm families consisted of a couple with children living with them; a greater proportion than for all families (47%). A further 42% of farming families were couple families without children (compared with 36% of all families). Almost two-thirds of these were older couples (where the male partner was aged 55 years or over) (ABS 2003). Fewer young people are entering agriculture, and the loss of young people out of country areas reduces the number of children taking over the family farm (ABS 2003). Australian farm managers are predominantly male, although farm businesses tend to be run by the farm managers and their spouses. Men are likely to continue farming if their partner dies. Estimates for the period 1994–95 were that one in ten owner/managers lived alone, and that a third of them were aged 65 years and over (Garnaut and Helati 1999).

Australians generally are healthier and living longer than in the past, and there are changing expectations on the timing of, and processes for, withdrawal from paid employment into retirement. This is a trend that is particularly evident in farming (Foskey 2001). At the 2001 Census, 15% of farmers in farm families were aged 65 years and over—a greater proportion than those aged less than 35 years (12%). The median age of farmers is 51 years (ABS 2003). It is expected that the average age of Australian farmers will continue to rise (Barr 2001). This is consistent with the overall trend among the general population in Australia for young people to delay marriage and parenting, preferring to participate in higher education, which has increased the ageing of the population. While farmers are also partnering at a later age, fewer young people are becoming farmers (ABS 2003). A national survey of Australian farmers actually found that the proportion of farms being transferred to a successor is declining. Whereas 57% of respondents were on a farm previously owned by parents, or parents-in-law, only 29% expected their farm to be run by a child or other close relative in the future (Reeve 2000).

These findings are consistent with a worldwide trend in agriculture towards the 'ageing' of the farm population. However, the rate of ageing in Australian agriculture is actually lower than in many other areas of the world including the USA, Canada, Europe and Japan (Barr 2001).

2.3 Retirement, succession and inheritance on Australian farms

2.3.1 Retirement

As the median age of farmers is 51, over the next decade there will be a considerable number of farmers who retire and their properties will either be handed down to a younger member of the family or sold. Foskey (2002) identified three types of retirement patterns evident in Australian farm families.

- **Retirement IN farming.** Some farmers choose to remain on the farm in retirement. The options include the farm management being transferred to a successor, the farmland (excluding the home) being leased or share-farmed, or in some cases the employment of a farm manager (although this option is becoming less common than in the past with declining farm income). In these cases the older generation may remain living in a house on the farm, and continue to contribute to the farm work, particularly in peak periods such as harvest. On some farms there can be intergenerational tension arising from the former farm manager being on the farm with the successor. The older farmer may have problems in letting go of the day-to-day management of the farm (Foskey 2002). Successors may complain that they are treated as hired labour, while the parents who have nursed a property through the difficult years of development are reluctant to allow their children to risk making mistakes. Alternatively, some farmers retire into the nearby town and continue to work and be involved in the management of the property. The whole process of handing over may take several years, which can create uncertainty about who is responsible for what and who should initiate plans for the farm. Some parents remain on until death. Being an understudy until middle age can create many problems for a son who waits to take over, both between him and his parents and between him and his wife and his children (Craig 1983; Kaine et al. 1997).
- **Retirement FROM farming.** Some farmers retire completely from farming, sell the family property and move away from the country. For these farmers, farmland is viewed as a form of superannuation and the sale of farm land ensures security and an income in retirement. Alternatively, retirement from farming may involve a number of steps taken over an extended period. This may include downsizing through partial sale or sale of the original farm and purchase of a smaller holding, change in production intensity or production type. For example, farmers may move from horticulture or dairying into beef production that requires less intensive physical labour.
- **Retirement TO farming.** In Australia a number of people move into farming as a later life career, particularly (although not exclusively) in areas of high amenity value, such as coastal areas and those within reasonable distance of metropolitan or regional centres. Others, who retire to farming, are those who have undertaken a career parallel to farming, such as a livestock agent, and take up farming once they retire from that occupation.

2.3.2 Succession and inheritance

The focus of the present study is upon the first two retirement options, particularly the first. Retirement IN and FROM farming requires planning for the sale of the property or the succession of the property, which involves the transfer of the ownership of the land and management of the farm business to the younger generation.

Hutson (1987) described four stages in the succession process, which begins when a child (usually a son) leaves full-time education and begins working on the farm. There may be a period of struggle between father and son as the son tests the father's values and attempts to establish his own identity. Women as wives and as mothers often play an important mediatory role between fathers and sons in this situation both as a point of appeal and a provider of sympathy to both husband and son (Craig and Killen 1984).

In the second stage, the father and son unite towards expansion of the farm operation to maximise returns to their increased labour and managerial capacity. Decisions must be made regarding how to

support an additional family when the son marries—whether the farm should be expanded or whether the family should purchase or lease a separate and independent holding for the son. Children may have a major influence upon investment and technical decisions. The father may find himself under as much financial pressure and working as hard in his fifties and sixties as he did when he was younger (Hutson 1987).

In the third stage, children may become responsible for the operation of a separate enterprise within the family business. The sharing of authority and responsibility during this stage can promote a strong partnership founded upon mutual trust and understanding (Coughenour and Kowalski 1977). However, the marriage of a son at this stage can be accompanied by a loss of parental control as well as the necessity to incorporate a stranger into the group. The new wife may find she is excluded from family discussions (Craig and Killen 1984).

In the fourth stage, the father retires and the children take full operational control of the farm. While managerial control may be transferred, many parents never relinquish legal control, often retaining ownership of the land until death ensuring a measure of control over the farm business (Hutson 1987).

Other studies have also described various patterns for the transfer of the managerial control of the family farm business to the younger generation. Gasson and Errington (1993) defined four ‘ideal types’ of the succession process based upon two key distinctions evident in these patterns. One pattern is the degree of responsibility exercised by the successor in making decisions on the family farm and the other pattern is the extent to which the successor is able to manage a separate enterprise either on the home farm or on a separate property. The four ‘ideal types’ include:

- **Standby holding:** The potential successor is set up on a separate property where he works for several years developing his own farm management skills. There may be some sharing of machinery and labour with the home farm but, essentially, he is financially and managerially independent. The additional holding provides another source of income and the home farm does not have to support two generations. The properties may be amalgamated upon the father’s retirement.
- **Separate enterprise:** The family farm has the ability to allow the potential successor to develop their own enterprise; either a separate line of livestock or a farm contracting business. This allows him to operate independently developing skills that can apply to the main farm where he works alongside his father. He also has the advantage of a separate income, which may allow him to develop his own capital base.
- **Partnership:** The successor may share responsibility for several aspects of the farm business. Such a partnership may be cemented in a formal partnership agreement.
- **Farmer’s boy:** The successor may spend many years working with his father on the family farm but has little involvement in managerial decisions and is primarily a source of manual labour. Consequently, he has little opportunity to develop managerial skills required to effectively manage a farm business. He may only receive a weekly allowance rather than a full wage, as his reward will come with the eventual ownership of the property.

Errington and Lobley (2002) then added two further categories of successors: those over the age of 16 who are in full-time education and those who take a *professional detour* while they wait to take over the family farm, such as running a non-farm business, working on another farm, working in an off-farm job or travelling abroad. This typology is used to guide the analyses in the present study.

The International Farm Transfers Study, in examining studies of farm succession from various countries, has found that patterns in succession may draw upon more than one of the above ideal types. The succession process may move from one type to another before the transfer is completed (Errington and Lobley 2002). These patterns impact upon the smoothness of the succession process, farmers’ behaviour and their receptiveness to various policies as well as the sustainability of the farm operation.

2.4 Previous studies of farm succession in Australia

Studies conducted in Australia, which have examined the issue of farm succession, inheritance and retirement within Australian farm families (Gray 1991; Bartlett 1993; Gray et al. 1993; Gamble et al. 1995; Gray and Phillips 1996; Kaine et al. 1997; Alston 2000; Stayner 2000; Gray and Lawrence 2001; Crocket 2004; Gamble and Blunden 2004), have revealed several consistent themes. All of the studies note that the decision to transfer the farm to the next generation is a complex one and difficult for everyone involved. Parents are concerned about how to be fair to all children, as generally only one child will take over the farm (usually a son). The family farm is then a paradox—the focus of maintaining the desire to keep the farm in the family as well as an asset for inheritance purposes. To resolve this paradox, the child who takes over the farm will be required to pay out any brothers and sisters their share of inheritance over some agreed period of time. This is in effect a practice of buying the farm each generation (Tually 2001). Tually believes that it is virtually impossible for the average farm family to pass on a viable farm unit to one child who works on the farm and at the same time leave assets equally to other children. Furthermore, succession planning is influenced by a distinct rural ideology that defines the roles and expectations of farm men and women. However, Errington and Lobley (2001) note that the level of stress generating from the transfer of the farm business is considerably greater than in previous generations as traditional norms, such as primogeniture are increasingly challenged. Inflated land values also create additional pressure for parents seeking fair treatment for all children. There are also several outside influences upon farm families that impact upon retirement and succession plans.

As a consequence of so many confounding factors concerning succession, inheritance and retirement, many farm families experience significant difficulty in discussing the future of the family farm. More often than not, planning for succession and inheritance tends to be deferred until some critical life event occurs which forces the family to address the matter (Kaine et al. 1997). These issues are explored within the following sections and their impact upon the intergenerational transfer of the farm business is discussed.

2.4.1 Rural ideology

Succession planning is conducted within an environment governed by a distinct rural ideology where farming is seen as a male vocation and great value is placed on self-reliance, independence and hard work. Farming is a way of life, not just a job. Farm labour is provided almost exclusively by family members; mostly men. Following Anglo-Saxon traditions of land ownership, the dominant form of inheritance is primogeniture, whereby the land along with the occupation and status of farmer is passed onto the next generation, usually a male heir. Decisions are made with the view of ensuring the farm's ongoing economic viability on behalf of the succeeding child, and if more than one child desires to remain in farming, money needs to be saved to expand the existing enterprise or to purchase additional land (Symes 1972; Hastings 1984; Crow 1986; Champaign and Maresca 1987; Gasson and Errington 1993; Kaine et al. 1997; Crocket 2004; McAllister and Geno 2004).

A national study of farm succession and inheritance on Australian farms (Kaine et al. 1997) found most respondents believed that family farming entails passing the farm on to children and that parents have a responsibility to help their children into farming (should they so desire). The majority of parents whose married children were working with them on the farm believed their children had a future in farming, and had encouraged their children onto the land. Virtually all of these families planned to pass the farm on to their children. Approximately 30% of these families had already established some of their children independently in farming by initially bringing them into their farm business and then by helping them to purchase land. Conversely, respondents with married children who did not work with them on the farm were less likely to feel that family farming meant passing the farm on or that they had a responsibility to help their children into farming, and they were more pessimistic about their children's prospects in farming. Only a minority of those with married children not on the farm had encouraged their children to enter farming and less than 50% were planning to pass the farm on to their children. Their reasons were that the farm was not large enough to support more than one family, the children were not interested in farming or because they believed they must sell the farm to be fair to all children.

Fundamental to this rural ideology is the concept of *patriarchy* where women are traditionally seen as dependents, or either the wife or daughter of a farmer. Most women enter farming through marriage. Although daughters are often required to assist with work on farms, they are not often encouraged to consider farming as a career beyond the possibility of marrying a farmer. Patriarchy also entails the exclusion of daughters from inheritance of land (Nalson and Craig 1987; Whatmore 1991; Voyce 1994; Kaine et al. 1997). Widows typically receive a life estate where they may access the income from the estate but may not deplete the capital. This policy is in line with the rural attitude that a woman really only requires maintenance during her widowhood without a right to ownership of land and control over the management of the farm. Furthermore, children should not be deprived of their patrimony (Voyce 1994). Kaine et al. (1997) found less than 10% of families in their study had daughters who were working on the farm, were partners in the farm business or had shares in the ownership of land. Sons were more likely than daughters to inherit land from their parents, and be helped by their parents to enter farming. Approximately 43% of the families within the sample who only had daughters regarded the question of encouraging children to take over the farm as not applicable to them. In contrast, only 15% of families who only had sons treated this question as not applying to them.

Crosby (1998) notes that today, farm women are more likely to be actively involved in the business management and the physical running of their properties. With an increasing number of farmer's wives coming from backgrounds with vastly different expectations and perspectives on gender roles, the eventual effect must be to modify cultural traditions within farm families (Symes 1990). However, Nalson and Craig (1987) note that interest and commitment to farming varies among women. Some will embrace the opportunity to farm and play an active role in the family business. Others may prefer a career outside farming or confine their activities as far as possible to those equivalent to an urban woman in unpaid domestic work. However, whether women are free to exercise their choice between these alternatives is debatable.

It is important to note that patriarchy also means that the position of father and farmer is a position of power and authority. Consequently, adult married sons working on the farm may have limited managerial responsibility and receive minimal wages, and the handing over of the farm to the son may not occur until the father is in semi-retirement (Voyce 1994; Kaine et al. 1997).

Salamon (1984, 1985 and 1987) claims that traditional European values of farming underlie these rural ideologies regarding the proper way to pass on land from one generation to the next. In a comparison of farmers in the United States with those of Irish, German, Swedish or mixed ethnic heritage, Salamon (1984) found significant variation in the farmers' operational style based upon differences in their cultural background. These differences in operational style were related to where farmers fall on a yeoman/entrepreneur farming style continuum (Salamon 1985). Farmers who subscribe to a 'yeoman' ideal aim to pass the family property, and farming as a trade, to at least one member of the next generation to ensure that the land remains in the family. The *entrepreneur's* goal is to run an efficient, productive, profitable business. Land is merely another asset that can be bought and sold. These diverse goals are manifested in different operating strategies, farm organisation and community structures. Specifically, German families were motivated by yeoman goals but tended to divide land among children although not necessarily equally. In the areas surveyed, continued fragmentation had reduced the size of land holdings by a third over the past century but the area under ethnic control had doubled as a consequence of the incompatibility of partible inheritance and a commitment to the occupation of farming. Irish families were more concerned about keeping family tracts intact and were not in favour of giving land to daughters. The Irish emigrated in the post potato-famine when impartible inheritance was introduced in response to excessive fragmentation of agricultural land. Swedish farmers were proud of their heritage but were not committed to its preservation. Parents had tended to encourage their children into education towards a career better than farming. The Swedish traditionally prefer not divide their property with a requirement that the farm heir buy out the shares of siblings. American farmers of mixed ethnic origin divided land equally amongst their children but were driven by more entrepreneurial motives. Although Salamon's study was conducted amongst a cohort of American farmers, Australia was settled by the same western European stock and these same ideal types are evident amongst Australian farm families (Campbell 1995). However, Voyce (1996)

maintains that with the globalisation of the economy, more and more Australian farmers are taking an entrepreneurial approach to farming.

Nalson and Craig (1987) maintain that the attachment of generations of farm families to particular tracts of land is far from the norm in Australia. In fact, there is only a small, albeit wealthy and influential, sector of the rural population living on areas of ancestral land. However, it appears that attachment to the occupation of farming is something that is passed on. Kaine et al. (1997) found in their national survey of Australian farmers that 75% of males and 42% of female farmers had grown up on farms.

This is evidenced in a more recent study, which found that the wellbeing and education of younger family members was actually being placed ahead of expectations that children will automatically take over their parents' property and remain in farming. Crockett (2004), in interviews with 73 members of farming families in three mixed farming communities in the central west of New South Wales, found that less than half of the respondents wanted a child or children to return to the family farm. Forty-one per cent indicated their desire for at least one child to take over the farm, 27.5% were unsure, and 22% were definitely against the idea. Although family history and tradition were still important to these families, their children were being given the choice to farm. This was reflected in the increased levels of education and the provision of career options that were identified as being the paramount goals of the majority of parents for their children. Concerns were expressed over the future of agriculture and parents did not want to saddle children with excessive debt, low income and a heavy workload. Some parents were unwilling to force children into farming as they had been. Nevertheless, farming was still viewed as an inherently 'masculine' occupation. None of the families were actively encouraging girls to 'want' to farm, and in many cases they were being given no choice but to leave. Overall, parents appeared to consider farming an unviable career path for women.

2.4.2 Other factors influencing succession and retirement plans

2.4.2.1 Attitudes to retirement

As noted above, farming tends to be an occupation with strong underlying values of individualism and utilitarianism (that is, being 'useful' is 'good'). The word 'retirement' tends to be stigmatised. In interviews with 41 retired farmers and older active farmers in northern New South Wales, Foskey (2002) found few viewed the 'third age' as a potentially positive life stage.

Australian farmers do not automatically consider retiring at a set age. Planning for reducing their active involvement in, or leaving farming tends to be linked to deterioration in physical capacity. That is, withdrawal from farming as an occupation can be delayed until ill health forces the decision. There is a strong attachment to the farm as a place, particularly where a farm has been within the same family for more than a single generation. There can be a grieving process associated with the transition into retirement – grief for the loss of place, identity, status and community (Foskey 2002). One of Foskey's participants referred to the 'ghosts' of former generations influencing the later life choices of her husband, leaving him reluctant to leave the farm. Negative perceptions of retirement were sometimes influenced by retirement 'role models'—parents, relatives, neighbours, friends who had experienced significant grief, depression, physical decline, even death on leaving farming. Such attitudes can lead farmers to the delay or postponement of retirement for as long as possible (Foskey 2002).

2.4.2.2 Critical events

Succession and retirement plans have been made even more difficult by severe drought and economic forces over the past decade, which have left many of Australia's farm families unable to sustain operating and capital budgets. The difficulty in these decisions may lead to the issue being ignored until a critical event such as marriage, illness, or the death of a family member provokes action.

Kaine et al. (1997) identified some critical events in the life of a farm family that prompt farmers to start planning or revise plans for transfer. These include:

- The birth of a child.
- When children finish school and either start farming or seek a career off-farm.
- Taking on a major debt.
- Experiencing a severe drought.
- Taking over of the family property from parents.
- The injury, illness or death of a family member.

In Foskey's (2002) study of retirement, a number of farmers identified a decline in physical capacity and the limited desire and interest in adapting to changes in farm practice and environmental management were important triggers in their decision to retire. The pressures such events can create may not be conducive to calm and considered deliberations, nor to effective communication between family members, resulting in decisions that have the potential to threaten the viability of the farm business (Kaine et al. 1997).

2.4.2.3 Financial constraints

Other important factors influencing farmer's decisions in the Kaine et al. (1997) study included the unpredictability of prices and seasonal conditions and the need to preserve the viability of the farm. With persistent drought over the past decade, there are likely to be farms where production and consequently farm income is in decline, land values are depressed and intergenerational transfer is not viewed as an option (Foskey 2002). Depressed land values means there are few purchasers. Some of Foskey's participants had decided to sell the farm and move into semi- or full retirement but their properties remain on the market after several years. As a result, a number of these older farmers have become locked in place (Barr et al. 2000). Unlike any other business, closing down a farm is not usually an available option. Several of Foskey's (2002) participants were unable to plan for retirement because of farm debt. Only a minority of those interviewed had adequate superannuation and/or off-farm investments to fund their retirement because farm maintenance had first priority for any excess funds. Limited off-farm income sources meant that retirement was dependent on the sale of the farm and/or government aged pension benefits.

2.4.2.4 Government regulations

Kaine et al. (1997) found that most of the farmers in their study rated the impact of assets and income tests on farmer eligibility for pensions to be important in their succession planning. The impact of government taxes was rated as quite to extremely important for succession.

Local/regional planning regulations can affect retirement options. In a number of local government areas there are restrictions on the subdivision of farmland for hobby farm or urban development. This means that partial sale is not possible, yet the farm itself may also be too small to continue to operate as a viable farm business. Such planning regulations can also conflict with incentives offered by the Australian Government aimed to encourage older farmers to transfer the farm to a successor but which allows the older farmer to maintain the home and a small surrounding acreage.

Changing environmental management regimes also have an influence on the choices available to farmers. Restrictions on land clearing and water use and increased charges for irrigation water impact on farm management and forward planning. They can also result in a decline in land value and result in a stagnant or declining market for farmland.

2.4.2.5 Family discussions

The difficulty and complexity of the issues surrounding retirement and succession planning lead to avoidance behaviour in many families. Several studies have highlighted the difficulty families experience in discussing the issue of succession. In a study of 42 farm families in two contrasting regions—a mixed farming area in western New South Wales and a dairying district in Queensland (Gamble et al. 1995)—many of the older generation were found to view farm transfer as something they had to deal with in isolation from other family members and without professional advice. Meanwhile the younger generation expressed a desire to be involved in discussions about the future of the farm and were concerned that they lacked sufficient knowledge regarding the future of the farm and their involvement in that future. Subsequent studies by these authors were carried out with 154 South Australian farmers participating in eight farm succession workshops in 2002 and 2003 (Gamble and Blunden 2004). They found that farmers were focusing on re-structuring their business, namely how to simultaneously fund their retirement, provide a viable farm for the younger generation, and provide a fair inheritance for non-returning children, minimising tax and protecting the farm in the event of divorce, without having first understood the needs of all the family members farming together. Of the older generation, 35% had not spoken to their successor and 45% had not discussed the issues with either their daughter-in-law or their son-in-law. Virtually all of the younger generation (90%) were concerned about being involved in major succession decisions, or at least they wanted to be kept informed about decisions that affected their future.

The study found that older women play a crucial role in managing these complex relationships when they are threatened. They were concerned about how to treat all their children fairly, and the need for all family members to feel emotionally and financially secure throughout a succession planning process. Younger women (mostly daughters-in-law) were more concerned about giving children the best possible education, actively supporting children to live lives of their choice, being emotionally and financially secure, and lowering the stress levels of family members who farm together. The authors concluded that it is crucial for both older and younger women to be included in the succession planning process.

Kaine et al. (1997) in their national study of farm succession and inheritance found that succession issues had not been discussed by parents and children in nearly a third of families with married sons working on the farm. The parents in these families were mostly in their sixties and their sons were in their late thirties. The two generations in these families were likely to have been working together for ten to fifteen years. While it is not inevitable that these families would experience difficulties managing succession, the lack of communication between family members about the future certainly raises the probability that problems will arise, as plans are more likely to be made on the basis of misunderstandings and mistaken expectations. Furthermore, the longer discussions are delayed, the fewer options and opportunities exist for the family to take remedial action.

The study found that discussions mostly centred around the parents and their married sons if they were working on the farm. Farmers' elderly parents, who are still active in the farm business, were sometimes involved. Daughters were less frequently involved in discussions than sons. The spouses of children were generally not included. Children in a family who were married and living **off** the farm were less frequently involved in discussions if there was a married son working on the farm. Farm families preferred to rely on accountants and solicitors for professional advice on planning for succession. However, almost 50% of families had not sought professional advice.

Over 20% of families reported that the farm transfer process was extremely or very stressful largely due to the difficulties experienced in discussing the issue. The authors concluded that the fundamental obstacle many families face in dealing more effectively with succession and inheritance is their communication and inter-personal skills. Haslam-McKenzie (1997) *Farm Weekly Rural Women's Survey* found that only 14% of farms surveyed had a succession plan in place. Only 37% of those female respondents who were partners in their agricultural operation had contributed or had knowledge of a farm succession plan. Her subsequent interviews with 68 farm families found 75% had experienced a traumatic farm succession and 46% reported the process had been extremely expensive. Of the 51, fourteen families had not reconciled. None of the participants could identify a family partnership where there were multiple married partners who were all happy with the business

arrangements, equity and future (Haslam-McKenzie 1999). The participants noted that when succession fails the farm is often broken up and sold and the family breaks down irrevocably. The community loses a family or families, the school loses students and subsequently a teacher or resources, and local businesses lose custom. Participants also reported that while the succession plans were being worked out, cooperation and farming efficiency was compromised. However, of those who had experienced a traumatic and expensive farm succession, only 48% had a succession plan in place for their own future (Haslam-McKenzie 1999).

2.4.2.6 Age and education

There appears to be no difference between age and education in the proactiveness of some farmers in making succession plans. The Kondinin Group's *National Agricultural Survey* (2003) found that 44% of farmers aged 65 years and over have a succession plan in place. There were 33% of those aged 36 to 45 years with plans, 34% of those aged 46 to 55 years, 30% of 26-35 year olds and 28% of those aged 56-65. A further 23% were currently developing plans. There was no significant relationship found between education levels and farmers' propensity to plan for succession. For those who had left school at Year 10, 29% had succession plans, 33% of those with a TAFE or Year 12 education had plans while 31% of the university educated farmers had a plan.

2.5 The International Farm Transfers Studies

The review of studies of farm succession in Australia has highlighted those factors that impact upon succession planning within farm families. However, few have examined the actual process of succession, namely the transfer of the responsibility of management to the younger generation. The particular focus of the Farm Transfers research is upon the transfer of the intangible assets of a family farm such as the farm management skills, talent and knowledge that are idiosyncratic to a family property (Uchiyama et al. 2004). Barney (2002:36, cited in Uchiyama et al. 2004), defined these aspects as productive assets that are difficult to observe, describe and value but have a significant impact upon a farm's performance. Thus, the International Farm Transfers Study is concerned with the comparison of diverse patterns in the transfer process of these intangible assets between countries. As noted previously, the International Farm Transfers Study has been conducted in England, France, Ontario and Quebec in Canada, Iowa, Virginia, Pennsylvania and California in the USA, Japan, North Germany and Poland. The studies are significant in that they highlight farm succession differences across continents and provide a clearer understanding of the extent to which these differences are culturally determined (Baker et al. 2001).

2.5.1 Farm succession in Japan

Of particular interest was the study conducted in Japan where over 5000 farm households were surveyed (Yanagimuru et al. 2003). Japanese farms include intensive vegetable, fruit, dairy and mixed farming operations, most of which are family farms. Most operators are full-time farmers. Rice farms (60%) form the largest proportion of farms in Japan. These farms are unable to support all family members or provide competitive wages. The Japanese study found more than half of the sample (56.1%) of the principle occupations of rice paddy farmers were other (non-farming) and about half (45.2%) of the farmers were part-time farming.

The family farm comprises an extended family called the 'Ie' where two or three generations live together sharing incomes. Basic social and economic policies relating to the farm family are established on the basis of this type of family system. The 2000 Japanese Census revealed that the proportion of one generation farm families was 20% while 80% were two or three generation families. Most families have a common understanding that farming is a family business and that a sole successor, usually a son, should assume the ownership and management of the family business and property (Mitsuyoshi 2003; Yanagimuru et al. 2003).

Japanese farm families share similar problems to Western counterparts including difficulties in transferring the farm assets, the risk of dividing farm assets equally and the difficulties of transferring intangible farm assets, technical and management skills. However, there are also some differences. For example, it is not necessary to organise family members to manage the multi-generation farm and

there are no transaction costs for forming a special business organisation. Also, with two or three generations living together and sharing a household economy, families do not need to double or triple the income from the farm business for each generation's family. However, Japanese farmers consider it supremely important that the 'Ie' continues through the generations. To Japanese farmers, inheritance does not mean equal division of the property left by parents, but rather the problem of who should take over the social and economic representation of the farm household as the continuing producing and consuming unit (Mitsuyoshi 2003; Yanagimuru et al. 2003).

In Japan, the numbers of young farmers entering agriculture is less than those retiring from farming (Yanagimuru 2003). Single inheritance, usually by the eldest son, is a prevailing norm that governs succession planning even though the New Civil Code enacted after World War II dictates equal inheritance. Farmland is only occasionally divided by inheritance. Another influencing factor is a Farmer's Pension introduced by the Japanese Government to promote the smooth intergenerational transfer of the property. Farmers can receive additional pension if they transfer the management of their farm to their successors by 65 years old. This additional pension plays a large role in transferring the management of farm. However, most farms are too small to earn enough income to maintain their living standard in order to promote the succession process and prevent land division by inheritance.

The Japanese Government has sought to modernise the family business through encouraging the establishment of business partnerships between family members, which is the basis of a corporate farm. A new scheme to encourage into farming newcomers who are separate from the farm family relationship seeks to broaden the system of farm transfers (Yanagimuru et al. 2003).

2.5.2 International comparisons

The following presents a comparative summary of the findings of the studies from England (Errington and Tranter 1991; Gasson et al. 1998), Quebec and Ontario (Errington 1998), Iowa (Baker et al. 2001), Virginia (VDACS 2002), France (Errington et al. 1995) and Japan (Errington and Uchiyama 2003; Uchiyama et al. 2004). The sample size for each country was Canada: 1270 (1997), England: 491 (1997), USA Iowa: 418 (2000), USA Virginia: 404 (2001), Japan: 5006 (2001).¹

2.5.2.1 Succession

As the identification of a successor is the important first step in the succession process, the studies sought to compare differences between countries in this process. Farmers in England (52.8%) and Japan (49.8%) were more likely to have chosen a successor than those in Ontario (39.8%) or Quebec (42.1%), Iowa (28.8%) or Virginia (30.8%) (Uchiyama et al. 2004). Although Iowan respondents indicated an average retirement age of 66, nearly three-quarters (71%) of them had still not chosen a successor (Baker et al. 2001).

The studies found that identifying a successor was dependent upon the age of a farmer and this varied greatly between countries. Canadian farmers were much younger in comparison. Farmers in France identified successors around the age of 40 years. For Japan, Virginia, Iowa and England, farmers were older when they identified their successor. The process of succession occurs 10 to 15 years later in Iowa and Virginia than in other countries. The size of properties was also another significant factor. Larger farms were more likely to have identified a successor (Errington and Uchiyama 2003; Uchiyama et al. 2004).

There was a smaller proportion of successors that were daughters. In Iowa, of the 29% of respondents who had named a successor, most (79%) identified their sons, while only 6% named their daughters and another 6% named sons-in-law or daughters-in-law (Baker et al. 2001). These findings indicate that patriarchy persists within farming across countries.

¹This is an overview of the general findings only. The statistics generated from these studies are presented in Chapter 4 to allow comparison of the Australian data.

2.5.2.2 Retirement

The studies also compared trends in plans for retirement or semi-retirement. Semi-retirement was defined as the process where a farmer becomes less involved in manual work on the farm but may continue to be engaged in other farm work. Farmers in England and Canada were more likely to state that they would semi-retire than those in the United States or Japan (Uchiyama et al. 2004). A trend in all countries revealed that farmers who had identified a successor were more likely to opt for semi-retirement. Uchiyama et al. (2004) suggest that their choice may be reinforced by the presence of a successor. With the exception of Ontario, farmers in most countries were less inclined to semi-retirement if their successors were involved in off-farm employment (Uchiyama et al. 2004).

Significant differences were found between countries in retirement age. Farmers in the United States and in Japan moved into retirement at a much later age than those in Canada or England (Uchiyama et al. 2004).

Of the 1500 farmers surveyed in Iowa (Baker et al. 2001), 27% stated they intended never to retire while the remainder reported having plans for full or semi-retirement. A larger proportion of Japanese farmers reported they would never retire. This is largely an effect of the trend within Japan for many people to become involved in farming after enforced retirement from an off-farm job (Uchiyama et al. 2004).

2.5.2.3 Family discussions

While more than half of the respondents in Canada and the United States had discussed retirement with their family (Ontario (58.4%), Quebec (53.9%), Iowa (52%), Virginia (68.8%)), few had done so in England (24%) and Japan (32%). Over half of the respondents in Iowa reported they had not discussed their retirement plans with anyone, neither family nor legal nor other professionals (Baker et al. 2001). However, when age was taken into account, in Japan there was a substantial increase in the proportion of respondents discussing their retirement with their family once they had passed the age of 55 years. In England, discussions tended to decrease once the respondents turned 60 years. These farmers could retire earlier and would not have been included in the English sample. In all countries, those who had identified a successor were more likely to have held family discussions regarding retirement than those without a successor. In general, the presence of an identified successor has a significant impact upon a farmer's retirement plans, although these effects vary greatly between countries (Uchiyama et al. 2004).

One of the impediments to retirement and the farm transfer process is the availability of suitable housing in rural areas. In England, the shortage of affordable houses in rural areas is a crucial issue. The question of where the older generation will live when retired from the farm and where the younger generation will live is becoming increasingly important (Errington and Uchiyama 2003).

2.5.2.4 Successors

Differences were found between countries in the successor's pathways to taking over their family property. Successors in Japan and Virginia were more likely to be involved in off-farm employment while those in Iowa were more likely to be managing their own farm. In Canada and England, successors were mostly working full-time on the family farm (Uchiyama et al. 2004). Uchiyama et al. (2004) identified two major routes for successors: the *direct route*, where successors become immediately involved in the family farm upon leaving school or alternatively, and the *diversion route*, where successors take up off-farm employment after leaving school and return to the family farm at a later stage in their lives (Uchiyama et al. 2004). The diversion route was more common in Japan and Virginia, while the *direct route* was characteristic of successors in England and Canada. More successors operated a standby farm in Iowa than elsewhere. Farm size significantly influences the successor's options. Smaller farms are less able to support two generations. The studies revealed that with the exception of England and Virginia, successors from smaller farms were more likely to be involved in off-farm employment.

Across all farms, off-farm employment for successors was significantly higher in Japan and Virginia than in other countries. However, there may be a range of social, economical and environmental reasons for this finding. It was notable that in countries where most successors have off-farm

employment (Japan and Virginia) a majority of successors continue in off-farm employment even when there is less than five years before the older generation retires. This leaves little opportunity for the successor to work alongside the farmer to learn the farm-specific skills and knowledge (Uchiyama et al. 2004).

2.5.2.5 Delegation of managerial responsibilities

To assess variation between countries in the transfer of the intangible resources of the farm, the studies compared variations in the degree of delegation of managerial responsibilities from the farmer to the successor. Respondents to the surveys were asked to indicate the degree to which various decisions on the farm were delegated to the successor working on the farm. The questions reflected four categories of decision-making: technical, strategic, marketing and financial (Hastings 1984, cited in Uchiyama et al. 2004). Errington (1998) defined a model of the 'succession ladder' based upon these categories where the delegation of responsibility commences with the *technical* and *tactical* decisions such as the day to day planning and organisation of work, followed by *strategic* decisions regarding planning long-term and capital projects. The next level is the management of staff, followed by marketing decisions regarding the sale of farm commodities and negotiating loans. The final stage is the financial domain and 'control of the purse strings'.

The Farm Transfers Study confirmed this model in that financial decisions were generally very much controlled and were the last responsibility to be transferred to the younger generation. The study in Iowa found that while 14% of respondents were currently working alongside their successors, half of the decisions were made solely by the farmers. Financial and loan decisions were sole decisions. Only 10% of decisions were made by successors alone. Such practices may impede the education a successor needs to take over control once the farmer retires (Baker et al. 2001). The younger generation may have little or no experience in managing the financial side of the business (Errington and Uchiyama 2003). Delegation appears to increase with the successor's age. In Canada and Iowa, managerial responsibility increased smoothly over time but in Japan, England and Virginia, there is little increase in delegation after the age of 40. The later finding could be due to the larger proportion of successors in off-farm work in these countries. The degree of delegation is higher if the successor operates his or her enterprise within the family farm business.

The farmer's boy situation (Gasson and Errington 1993), where successors have worked on the family farm for many years but have been delegated few managerial responsibilities were found to be more common in England than in other countries. The farmer's boy situation may arise for many reasons, including social norms, public policies, and plans for the family farm to provide a pension for the older generation.

2.6 Summary and conclusion

The review of the literature regarding the transfer of the farm family business between generations has shown that for a variety of reasons, retirement and succession on family farms in Australia can be a very complex and drawn out process. As the farm family and farm business are inextricably entwined, the succession process can significantly impact upon the productivity and sustainability of the farm operation. As most farms in Australia are family farm businesses, the way in which families approach and manage these issues is of national concern.

The International Farm Transfers Study indicates that many of the problems experienced in Australia are very similar to those experienced on farms in other countries, particularly England, France, Japan, Canada and the United States. As farmers in Australia are descended from the same European stock, it is very likely that the way they approach retirement, inheritance and succession is strongly influenced by the same norms and values that have determined traditional European approaches to succession and inheritance on farms. However, environmental conditions that are unique to Australia, such as geographic isolation, drought, bushfires and floods are likely to mediate the impact of these rural ideologies upon farmers' plans for the future. Therefore, it is important to document the differences in the experiences of Australian farm families with their counterparts in other countries in order to identify cultural differences in farmers' approach to succession. As noted in Section 1.3, the purpose of conducting the Farm Transfers Survey in Australia was to achieve that end. In addition, the manner in which farm management and technical skills are transferred from the older to the younger generation will be identified and the findings compared with those in other countries.

Chapter 3: Methodology

3.1 Introduction

In this chapter, the procedure by which data were collected for the Australian component of the International Farm Transfers Study is outlined.

3.2 The study design

The study was undertaken within a Memorandum of Understanding between Dr Matt Lobley, University of Exeter, UK and Professor Michael Duffy and Mr John Baker of the Beginning Farmer Center, Iowa State University, USA.

The study involved a mail-out questionnaire to 5000 farmers across Australia. The sample size was generated as a proportion of the total number of agricultural operations within each state (ABS 2003). The actual sample size of 5076 was achieved by taking a 3.75% of the total for each state (see Table 3.1).

Table 3.1: Profile of the sample of farmers.		
State	Total number of Agricultural Operations (ABS 2003)	Sample = 3.75%
NSW	41,652	1,562
VIC	33,581	1,258
QLD	28,104	1,054
SA	14,824	556
WA	12,688	476
TAS	4,027	151
NT	406	15
ACT	96	4
TOTAL	135,378	5,076

The survey used two separate sampling frames. The names and addresses of 3000 participants were drawn from Commonwealth Electoral Rolls. Electoral Rolls were the preferred source for the sampling frame as they provide a representative sample of farmers. The electorates selected were those classified as 'rural' by the Commonwealth Electoral Office along with some classified as provincial that contained a substantial proportion of rural land. Farm addresses were identified by property name (e.g. 'Gostwyck' or 'Mirani'), or by a road name with no number (e.g. Kingston Road, Booralong Road, etc.). Farms were also identifiable as RMBs, RSDs, LOC or Lot numbers. In outback areas, properties were defined by station names.

Unfortunately, Electoral Rolls for South Australia and for a few electorates in other states were unobtainable. Therefore, a further 1000 names were randomly selected from a list of farmers contained in Telstra's *Yellow Pages*. While the *Yellow Pages* provide a self-selected sample of farmers, they do provide access to the target population across a range of agricultural industry types. These included farmers, graziers, fruit, vegetable, flower, and nut growers, alpaca, llama, goat, pig, dairy, pig and poultry farmers, horse-stud breeders, beekeepers, and wineries and vineyards.

A high rate of 'Return to senders' (17%) and an overall low response rate from the Electoral Roll sample led to the questionnaire being mailed to a further 1000 farmers randomly selected from the *Yellow Pages*. This sample was drawn proportionally from States according to the known distribution of farmers from ABS (2003) as presented in Table 3.1.

3.3 The questionnaire

The questionnaire, which targeted the farm business owner, was based on an original design by Professor Andrew Errington and modified for Australian conditions. The survey questions requested both closed-ended, Likert-scale responses and open-ended commentary from the respondents. These questions were divided into three sections:

- **General farm information:** Details on the size of the property, the type of commercial agricultural production, the type of farm business, the number of those (including family members) working on the farm and in off-farm work and the level of farm debt.
- **Demographic information:** Including how long the respondents had been operating the farm, how many generations the farm had been in the family and what was the cultural heritage; the number of farm family members, their ages, gender, and level of education.
- **Retirement plans:** Detailing the manner in which farmers chose and trained their successors, when they plan to retire, where they will retire to, how they plan to support themselves and whether they had sought professional advice on retirement and succession.
- **Succession plans:** Seeking demographic information about successors, the degree to which successors shared responsibility on farm, and respondents' views on the best way to pass the farm land and business to successors.

Respondents were also asked to comment on aspects of farm succession and retirement.

3.4 The mail survey

The survey instrument, refined for Australian conditions, was reviewed by Lobleby and Baker and then piloted with 100 farmers before being mailed in the winter of 2004. A covering letter outlining the purpose of the study accompanied each questionnaire. A reminder notice and questionnaire were sent to non-respondents after four weeks.

A final one-page 'Close of Survey' form was mailed to persistent non-respondents to assess the extent to which those returning the full questionnaire were truly representative of the total sample frame, and to provide a means for weighting for non-response bias if necessary. This one-page questionnaire sought information about farm characteristics and demographics, such as the type of agricultural production, size of the property, farm business type, gender and age. Question wording was exactly the same as that used in the main survey. Participants were asked at what age they planned to retire, whether they had identified potential successors and whether the successor was working on the property. A covering letter explained the need to have a few questions answered by those who were unable to respond to the main survey so as to ensure that the data were a true representation of succession and inheritance in Australia.

The overall response rate to the mail survey after allowing for 'Return to Senders' was 36%. This comprised a response rate for the electoral roll sample of 26%, while for the *Yellow Pages* sample, the response rate was 52%. The high 'Return to Sender' rate with the notation 'left district' was notable and possibly reflects the high number of farmers currently exiting the industry due to the persistent drought in Australia. The survey produced a final sample for analysis of 1180 comprising 789 respondents to the main survey and 391 respondents to the close of survey questionnaire.

3.5 The analysis

The one-page 'Close of Survey' questionnaire was used to provide a way of estimating the extent of non-response bias in the data. As the Close of Survey questionnaire did not elicit a response from all non-responders it is impossible to completely correct for non-response bias. However, it can be assumed that those non-responders to the main questionnaire who responded to the one-page Close of Survey are likely to share some of the characteristics of the hard-core non-responders. Comparisons conducted between the responses to questions that were common to both questionnaires were then used to develop a weighting procedure to correct for the over- and under-representation of particular types of respondents in the main survey data.

The analysis revealed that the respondents to the Close of Survey form were significantly older than the respondents to the main survey. Significant differences were found between the two groups in the predicted age of retirement and whether or not they had chosen a successor. Logically, both these questions would be strongly influenced by the age of the respondent. Thus the responses to these questions and the respondent's age were the three variables used to weight the results from the main survey in order to ensure the analysis accounts for the under-representation of older farmers within the main survey.

The weighting procedure was primarily employed within the analyses where the findings were generalised to the farming population. However, where the focus was on relationships between variables, unweighted data were used to avoid compromising the validity of tests of the statistical significance of these relationships.

3.6 International comparisons

Data gathered in the survey will be sent to the Iowa *Beginning Farmers' Center* and to the data archive held at the University of Plymouth for comparative analyses with data from other countries.

3.7 Conclusion

This chapter provided an overview of the methods by which the self-report mail survey of farmers across Australia was conducted. The following chapters present an overview of the findings of the analysis of the data collected.

Chapter 4: Results

4.1 Introduction

In this chapter, the results of the Farm Transfers Survey in Australia are presented. First, the characteristics of the respondents and their families and farm business are outlined. Then, retirement and succession plans across the sample are assessed. Finally, farmer attitudes towards succession and inheritance are discussed. For some analyses, data were available from the Farm Transfers Database, which allowed comparisons to be made between the Australian findings and those in other countries. The sample size for each country was Canada: 1270 (1997), England: 491 (1997), USA Iowa: 418 (2000), USA Virginia: 404 (2001), Japan: 5006 (2001).²

4.2 Profile of the sample

4.2.1 Respondents

The survey sample of 1180 respondents included 998 (85%) males and 167 females (14%) (15 respondents did not indicate their gender). Their ages ranged between 17 and 94 years (Mean 54.45yrs, 11.99 SD yrs) (See Figure 4.1). As the average age for farmers in Australia is 55 years (ABARE, 2001), the sample is representative of a cross-section of Australian farmers.

Most respondents had children: 85% had sons and 75% had daughters. The sons' ages ranged between six months to 60 years (Mean 29.4, SD 9.1) and daughters between six months and 73 years (Mean 27.04, SD 10.78).

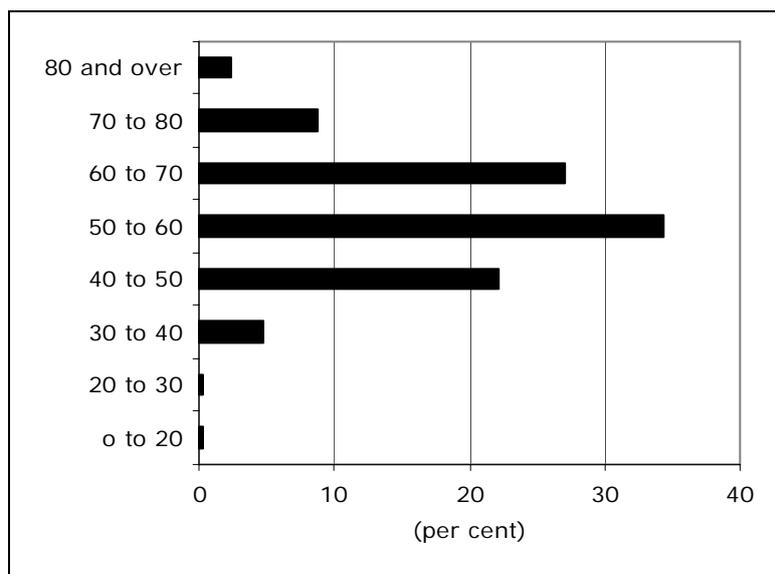


Figure 4.1: Age groups of participants (N=1180).

The larger proportion of respondents and their spouses had achieved partial secondary school education (See Figure 4.2). Compared by age, a higher proportion of older farmers within the sample have a limited formal education. In fact, 77% of those who have a primary school education were aged 60 years and over. Thirty-seven per cent of those aged 50 to 59 years and 32% of those aged 60 years and over had partially completed secondary school. Across the total sample (N=1180), farming was the main occupation for the majority of respondents 981 (86%). However, amongst the main survey sample (N=789) 200 (25%) participated in off-farm work. Of these, 64 (8%) had full-time off-farm work, 78 (10%) were part-time while 62 (8%) participated in casual employment.

²Please Note: The official comparative analysis will be conducted by the International Farm Transfers group leaders who are based at the Universities of Exeter and Plymouth in the UK and the University of Iowa in the United States.

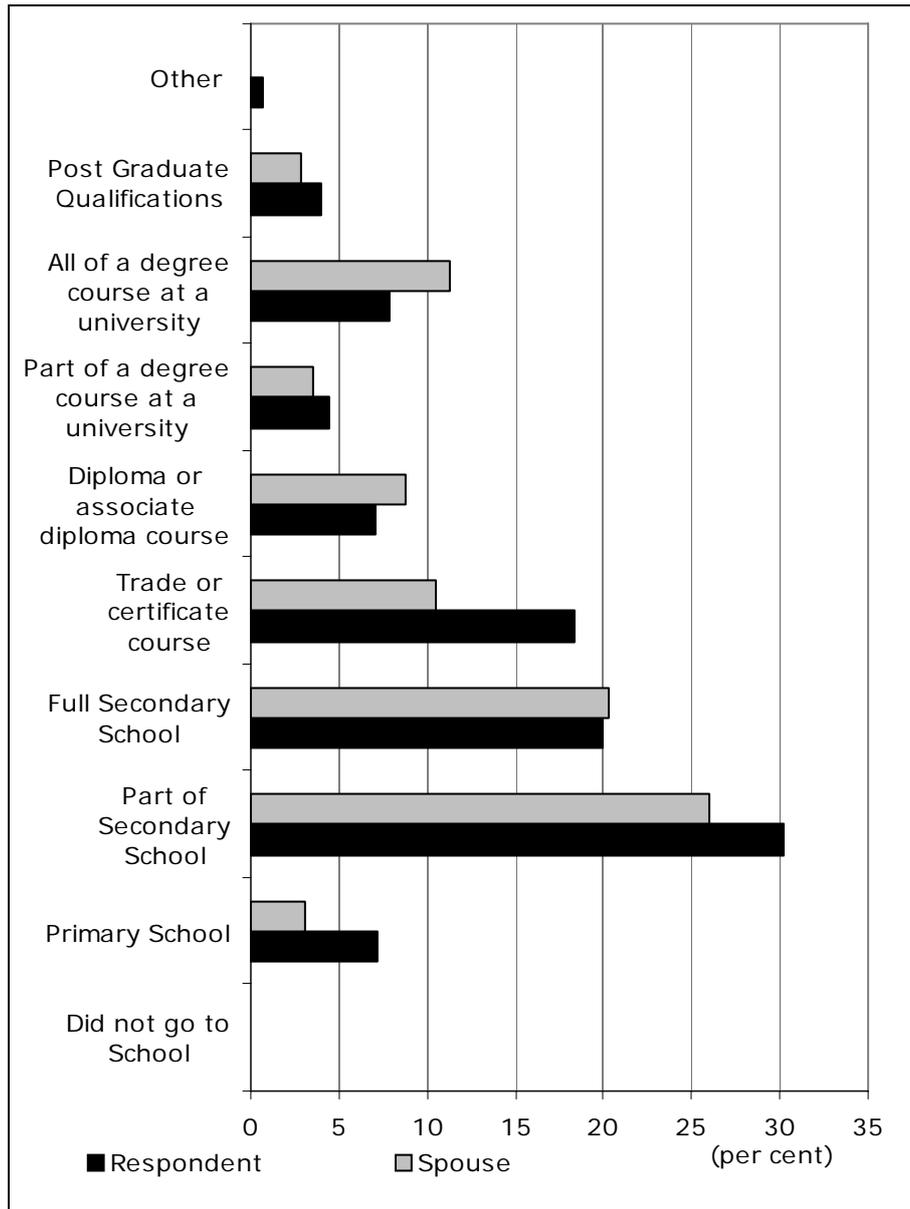


Figure 4.2: Education levels of respondents (N=789: weighted).

4.2.2 Farming operations

4.2.2.1 Farm size

The size of properties within the whole sample (N=1180) ranged between a small hobby farm of 1 hectare through to 1 381 800 hectare station in the Northern Territory (see Figure 4.3).

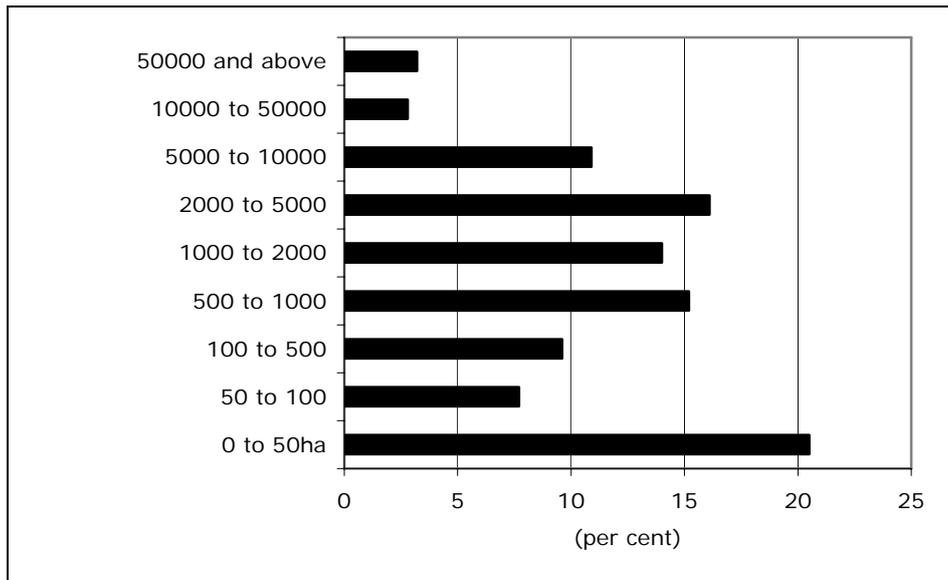


Figure 4.3: Property size (hectares) (N=1180)

4.2.2.2 Agricultural production

The most common types of agricultural production were beef, sheep meat and wool production as well as cereal growing (See Figure 4.4).

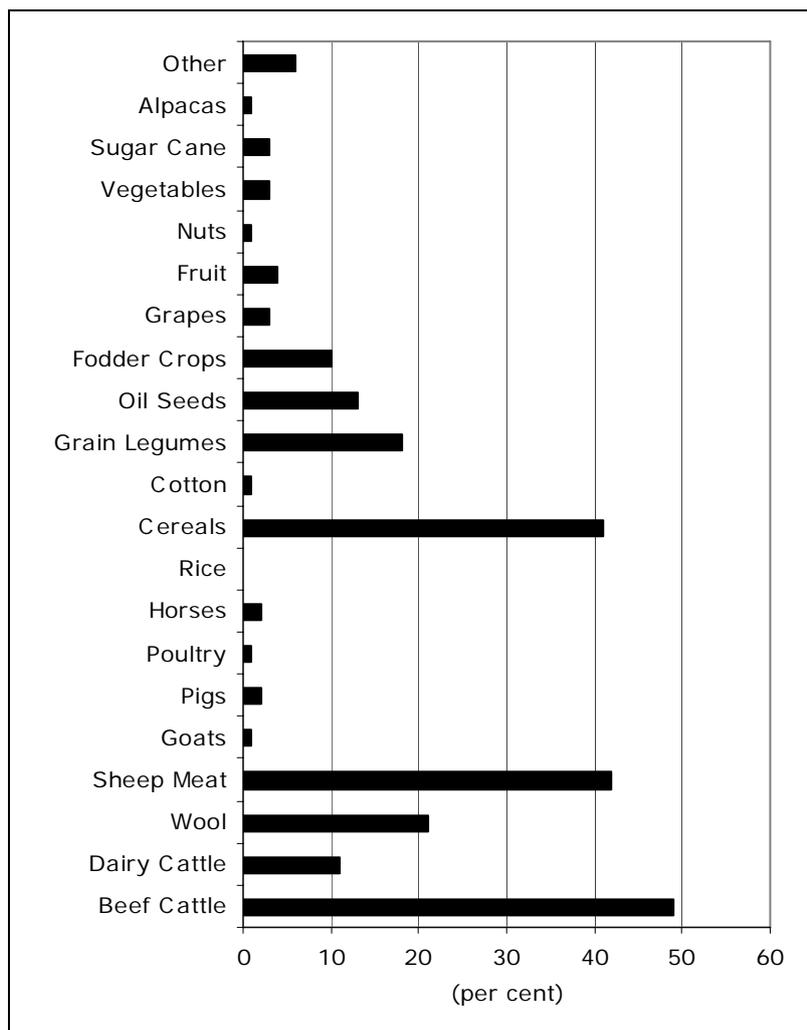


Figure 4.4: Agricultural production (N=789: weighted).

4.2.2.3 Farm business structure

The majority of farm businesses across the total sample were family partnerships, private or family companies, or managed by sole operators (see Figure 4.5). These findings reflect the structure of agriculture in Australia, which is mostly comprised of family farm operations (Wright and Kaine 1997). Only 15 per cent were a family company, 1.3 had a family trust. There were six corporate farms but this may reflect non-response bias to a questionnaire that would not be as applicable to a corporate business structure. There was a significant relationship between farm size and legal structure of farm businesses ($\chi^2 = 52.51, p > 0.0001$). Sole operators managed small farms while large farms were more likely to be managed by companies.

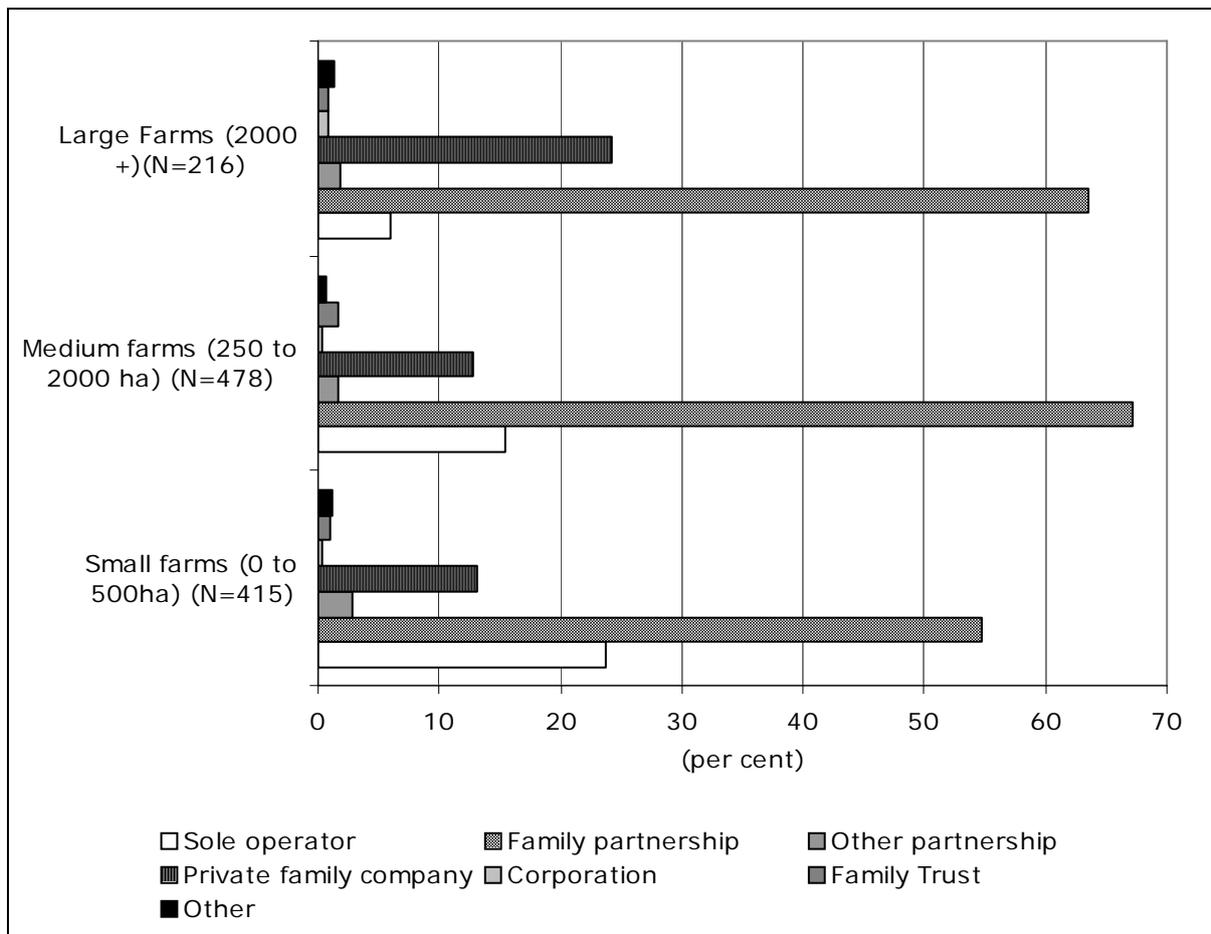


Figure 4.5: Farm business types (N=1180).

4.2.2.4 Length of time on family farm

Families had operated properties from 1939 to as recently as 2004. The average length of time respondents had been operating their property was 30 years (SD 13.69 years). Figure 4.6 shows that 2.3% of respondents had only been on their property for less than four years. Farms purchased since 1990 were more likely to be smaller farms ($\chi^2 = 30.80, p > 0.001$). Those held in families for the longest were more likely to be medium sized properties

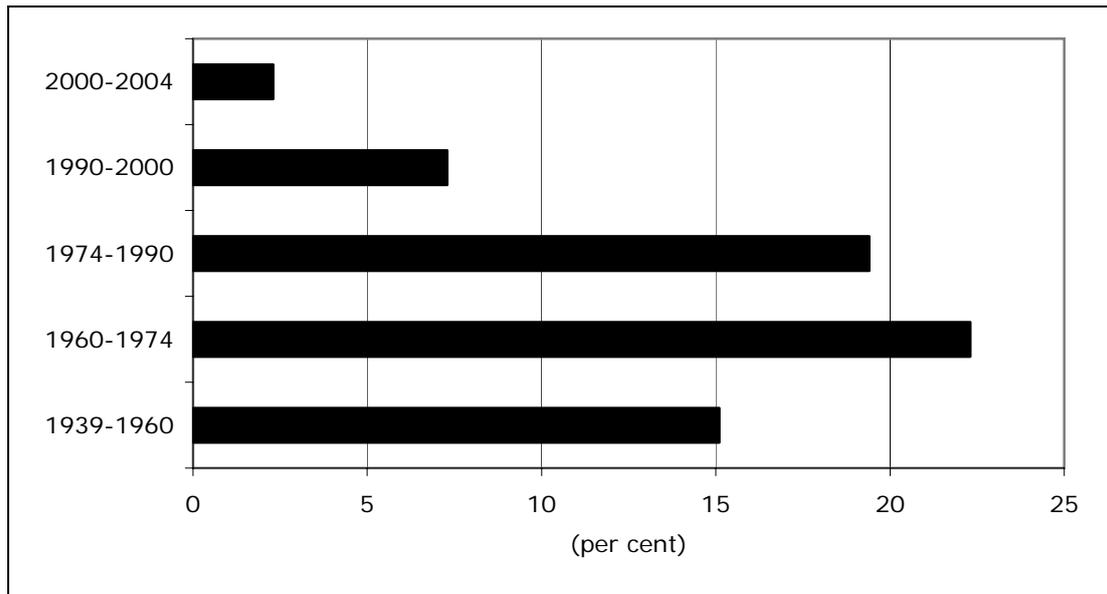


Figure 4.6: Length of time farming property (N=789).

4.2.2.5 Farm debt

Most farmers reported their farm businesses were in a good financial position (See Figure 4.7). This was a surprising finding considering the many years of severe drought experienced in the eastern states. However, further analysis revealed that this was due to the number of smaller size properties within the sample. Larger and medium sized farms carried more debt ($\chi^2 = 43.97$, $p > 0.001$).

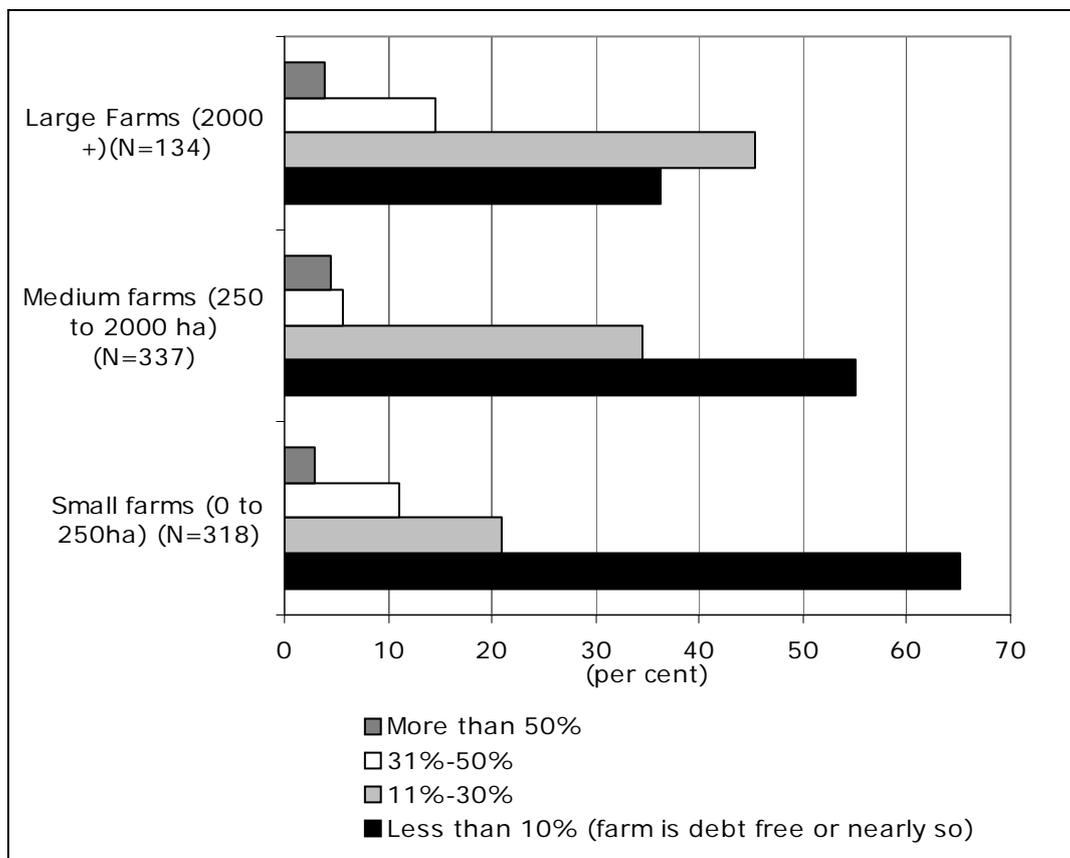


Figure 4.7: Farm debt (N=789).

4.2.2.6 Farm labour

Figure 4.8 shows the numbers of other family members and employees working on the properties. The majority of respondents 586 (74%) were employed full-time on their properties. A further 116 (15%) were part-time farmers, while the remaining 32 (4%) worked casually on the property. Of the respondents' spouses, 259 (32%) worked full-time on the farm, 228 (29%) were part-time and 39 (5%) were casually employed. On average, there was at least one other family member working full-time on the farm with the respondent (Mean 1.59, SD 0.811). The mean number of full-time employees other than family members was three (SD 4.78).

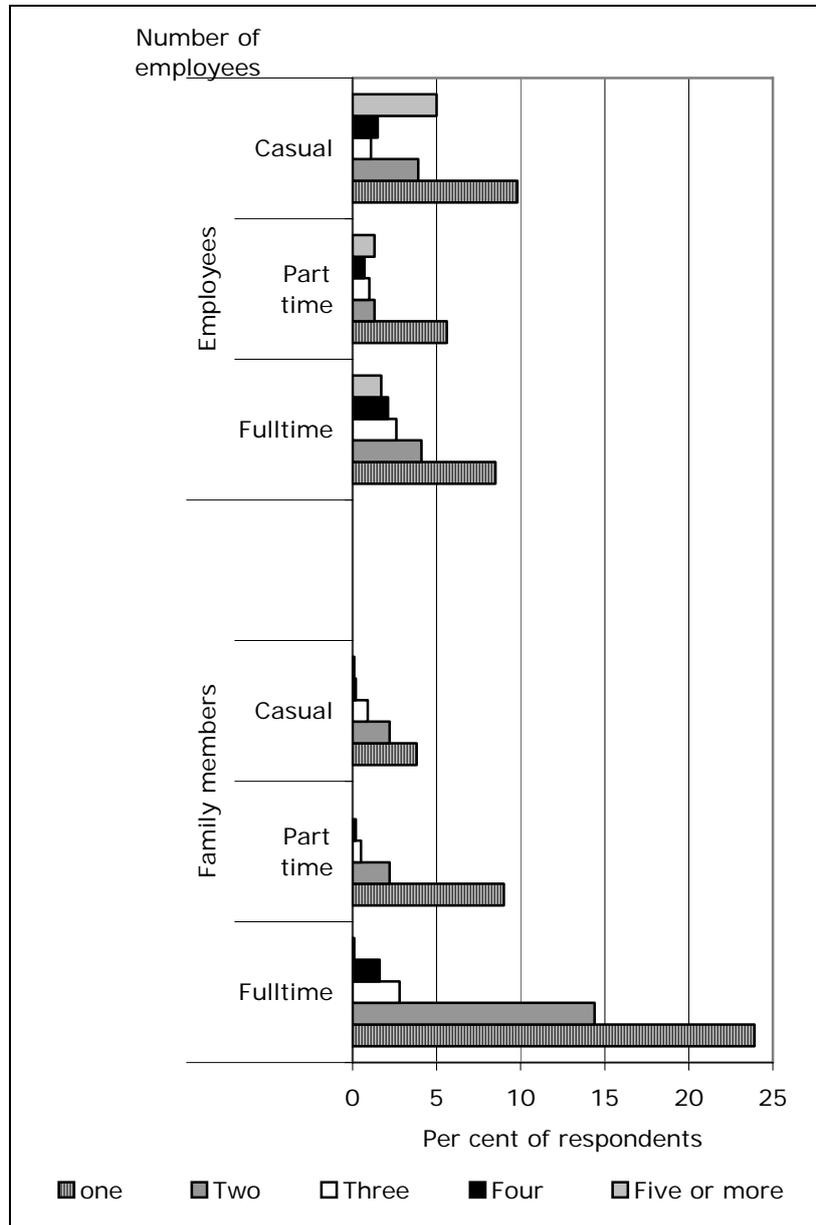


Figure 4.8: Farm labour (N=789).

4.3 Retirement

4.3.1 Plans for retirement

When asked about their plans for the future, the most common response from farmers in the study was that they planned to semi-retire at some stage (Figure 4.9a).

Semi-retirement is defined for the purpose of the study as the situation where a farmer becomes less involved in manual work on the farm but may continue to be engaged in other farm work (Uchiyama et al. 2004). A sizable proportion (11%) of respondents reported that they would never retire from farming.

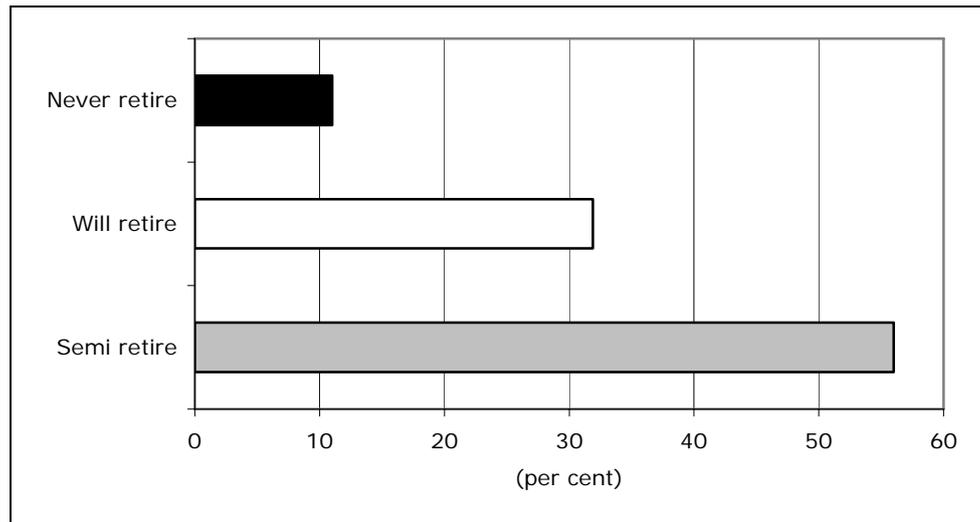


Figure 4.9a: Retirement plans.

Australian farmers, like their counterparts in England and Canada, were more likely to semi-retire than those in Japan, France or the United States (See Figure 4.9b). However, a greater proportion of Australian farmers will semi-retire than farmers in other countries. The analyses revealed that farm size was not an influencing factor on these decisions.

Prior to the Australian study, Uchiyama et al. (2004) had analysed the relationship between the retirement plans and the identification of a successor across all countries and found that farmers who had identified a successor preferred semi-retirement. Similarly in the Australian study, respondents who had chosen a successor were more likely to prefer semi-retirement ($\chi^2 = 17.85$, $p > 0.0001$). The authors concluded that the presence of a successor reinforces the farmer's plans for semi-retirement by making it easier for the farmer to reduce his level of involvement (Uchiyama et al. 2004). Uchiyama et al. (2004) also found that with the exception of Ontario, farmers were less likely to prefer semi-retirement if their successors were involved in off-farm employment. No such relationship was found amongst the Australian sample.

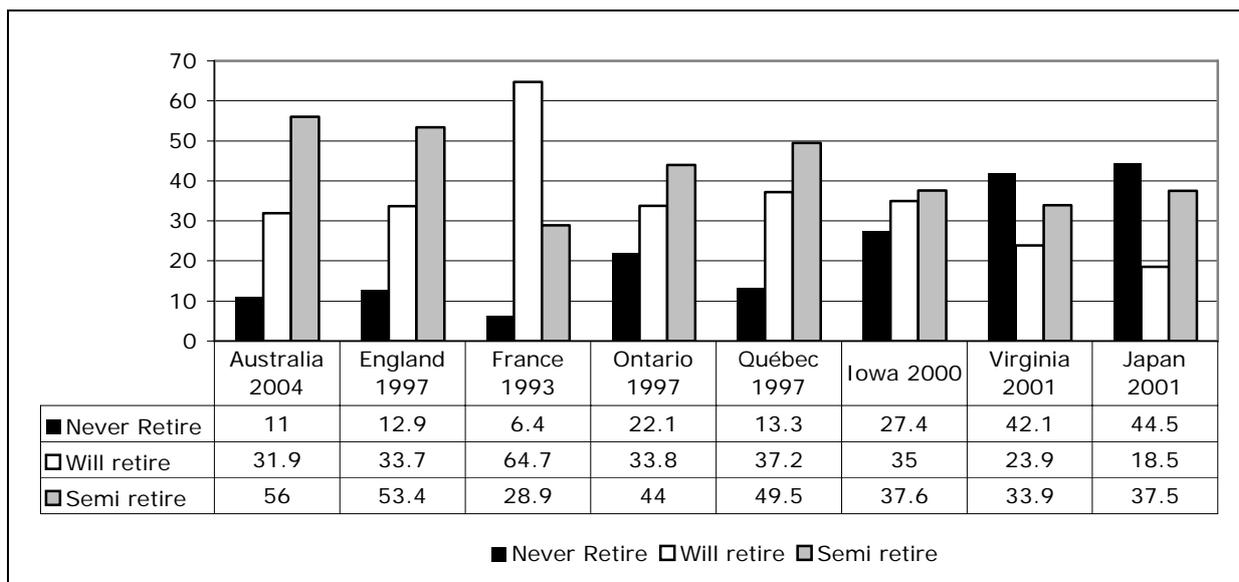


Figure 4.9b: International comparison of retirement plans.

4.3.2 Age of retirement

Across the whole sample (N=1180), the average age respondents intended to retire or semi-retire was 65.6 years (SD 7.65). Figure 4.10a displays the reported expected mean age of retirement or semi-retirement across the main sample (N=789). On average, those who plan full retirement intend to leave the farm between 65 and 69 years. However, on average those who planned to retire at older ages intend only to semi-retire. Older farmers on smaller farms may merely slow down their activity and operation rather than move in retirement. Also of interest is the 20% that reported they will retire or semi-retire at an age younger than 55 years.

Comparative analyses revealed that farm size was significantly associated with planned retirement age ($\chi^2 = 21.72, p > 0.01$). Farmers on smaller farms were more likely to retire at 55 years or less while those on large farms were more likely to retire around 65 to 69 years.

Figure 4.10b following compares these findings with those of other countries within the Farm Transfers Study. Compared with most countries, Australian farmers, along with their counterparts in Japan and the United States, appear to intend to move into retirement at an older age than those in Canada, France and England.

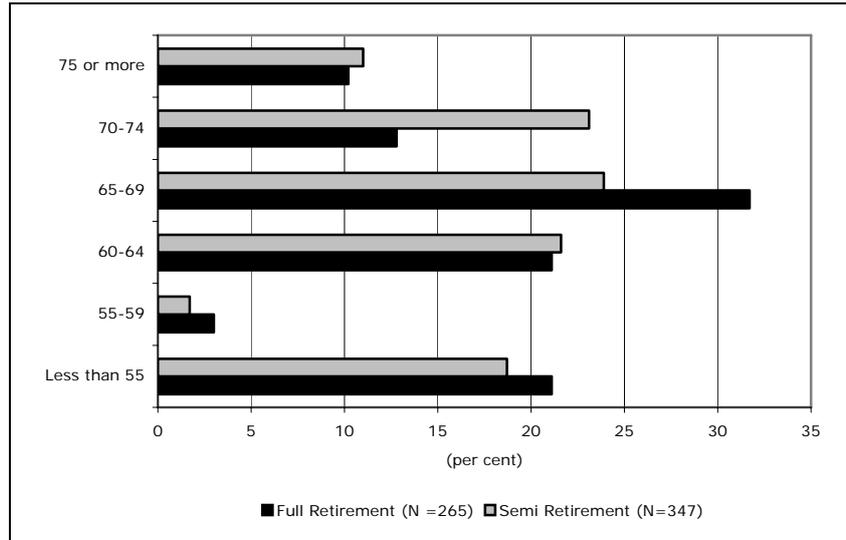


Figure 4.10a: Age of retirement/semi-retirement (N=789: weighted)

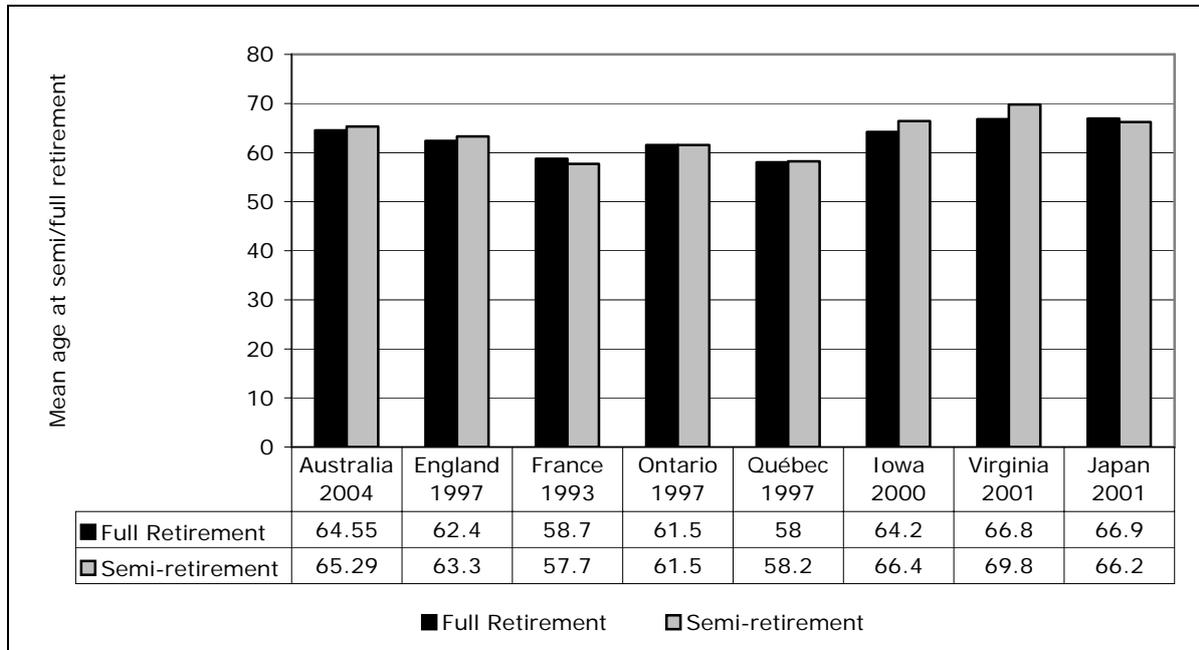


Figure 4.10b: Comparison between countries of mean expected age of retirement/semi-retirement.

4.3.3 Attitudes towards retirement

4.3.3.1 What they would miss about farming

When respondents to the main survey (N=789) were asked what they would miss the most about farming when they retire or semi-retire, most 137 (17.4%) reported that they would miss the lifestyle. Another 76 (9.6%) would miss the environment. As one put it:

I will miss the solitude of the place, the views, the company of the animals, the night sky, and the privacy.

Being active every day and working hard was important to 126 (16%) respondents. Five per cent found farming a challenge: but they would miss that. A further 91 (12%) valued the purpose in life and sense of achievement that farming provided. For example:

The challenge of everyday decisions. The smell of frequently turned soil. Buying stock and new plant. The excitement generally about everyday activities on the farm.

Some 38 (4.8%) valued the freedom and independence associated with working one's land. One wrote he would miss:

... The freedom of space and being able to do what I want to do on my property (within reason) when I want to.

Others, 95 (12%) reported they would miss their animals: working with stock, breeding stock and observing genetic improvement. As one respondent noted, he would miss 'The challenge of breeding the perfect Poll Merino sheep'.

Eight respondents said they would miss everything about farming. Some respondents demonstrated regrets about leaving the farm and were concerned about life in retirement.

As one put it:

I will miss all of it. It has been my life for 40 years and I am not looking forward to walking away from it.

Another stated:

I will miss living on the farm, being removed from the day-to-day activities, not knowing what is happening on the farm. My wife and I have developed this property from a scrub block, having created the property from scratch. It will be hard to leave.

Yet 32 (4%) said there was nothing that they would miss about farming.

4.3.3.2 What they would NOT miss about farming

When asked what they would be most pleased to give up when they retire or semi-retire, most respondents 187 (23.7%) reported that the long hours and hard physical labour would not be missed. Many complained of early morning starts, the seven days a week workload and working in all sorts of extreme weather conditions. For example: 'Working 60 hours or more a week for six months during the cane season' or 'Being tied down to the farm: the inability to travel or take holidays'.

Drought and other extreme climatic conditions were noted by 67 (8.5%) as something they would be glad to put behind them. As one respondent reported:

The hardest thing is dry or drought time, as we cannot irrigate and the feed gets scarce. We have to hand-feed.

Bookwork was another irritant reported by 55 (7%) of respondents, with worry and stress related to farming being noted by another 69 (8.7%). In particular, financial stress was a concern for 57 (7%). The constant responsibility (a word used by many respondents) and ongoing commitment required for the farm business was something that would not be missed by 33 (4.2%) of respondents. Managing staff caused problems for eight respondents. Others would be pleased to no longer deal with red tape/government bureaucracy (2.3%) or sheep (2.3%).

Respondents also mentioned fencing, irrigating, using chemicals, flies, stick picking, and tractor driving as being the negative aspects of farming. One woman stated:

I will not miss drought, having to cart water, snakes and having them in the house, the pressure of bad seasons and poor markets, and red dust.

Another added:

... The physical demands of harvesting and property maintenance, the uncertainty of income, and keeping up-to-date with changes in industry.

The above comments clearly reflect typical rural cultural values of farming being a way of life, not just a job. Self-reliance, independence and hard work are characteristics that are clearly identified and considered worthy attributes. While the hard physical demands of farming are acknowledged and a rest would be appreciated, full retirement may not be viewed favourably because one would lose self-worth.

4.3.4 Plans for retirement living

Just under half, 382 (48.4%), of the respondents to the main survey planned to move from their current home when they retired or semi-retired. Figure 4.11 displays the options for living in full or semi-retirement. Of these, the most popular option reported by 57% was to move to a nearby town.

The second most popular choice amongst this group (18.6%) was to move to a smaller property or hobby farm upon retirement.

Other respondents (4%) reported that they would move to the coast. None of the respondents indicated that they planned to move in with their relatives. This is not an option that the researchers would normally consider putting to Australian farmers. Clearly cultural differences in retirement options are evident here. Seven per cent were unsure where they would move to upon retirement. These choices were not significantly influenced by the size of the respondent's property.

4.3.5 Retirement income

The most common source of income in retirement was the sale of farmland and other farm assets (see Figure 4.12a). This finding reflects a trend amongst many farmers in Australia who view farm land ownership as superannuation. One respondent wrote:

I have never intended to pass the farm to an heir. I always intended to develop the farm and realise a capital gain and use the profit from the sale after a unit has been purchased to assist with income.

Several respondents noted the difficulty they will have in accessing the pension for retirement income because their involvement in the family business renders them ineligible. One wrote:

It is very hard under pension eligibility as I am asset-rich and not eligible for a pension. For financial security for my wife and myself, it is very hard to transfer assets to our son and still be guaranteed an income for the rest of my life.

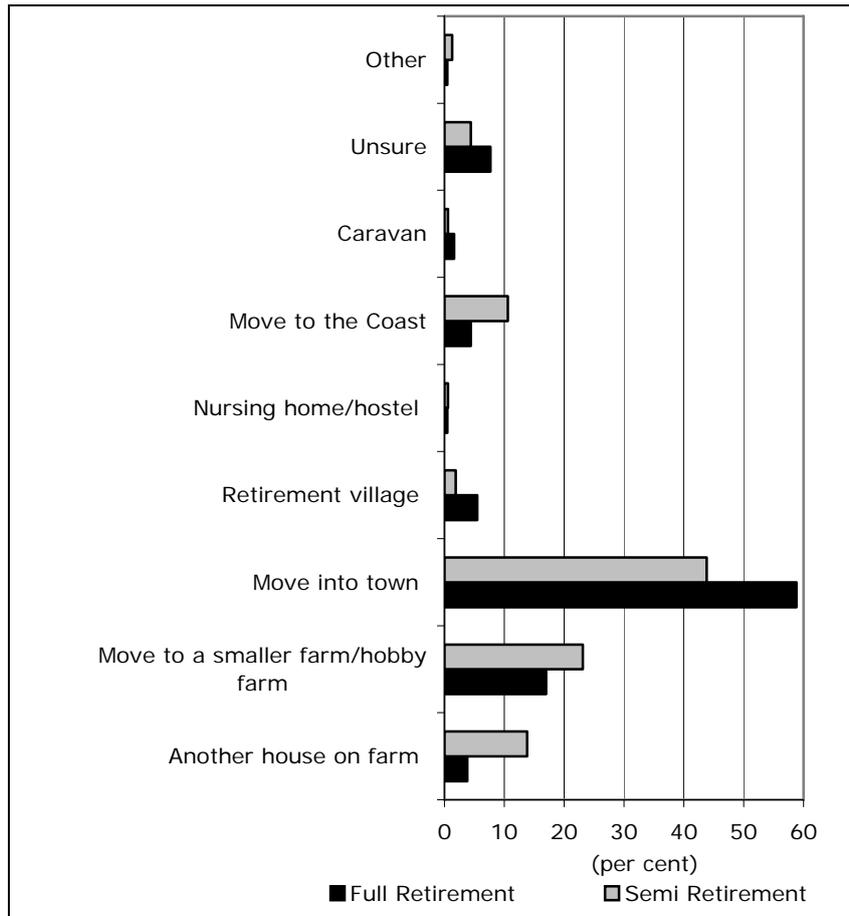


Figure 4.11: Plans for retirement living (N=789).

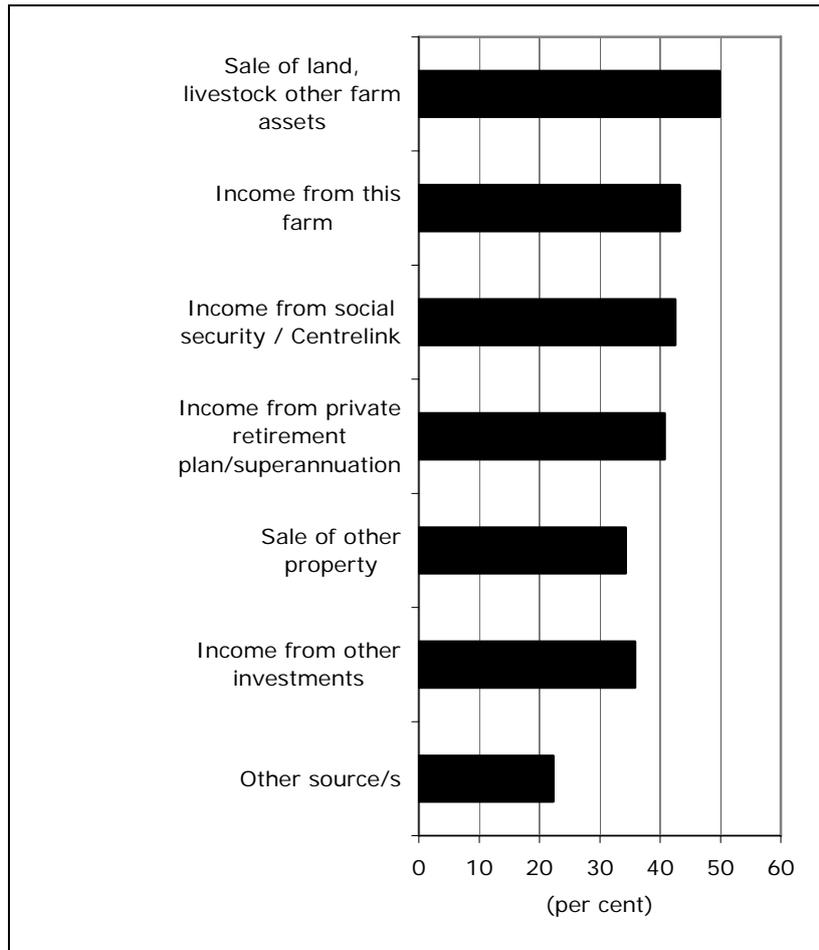


Figure 4.12a: Sources of retirement income.

(Note: The total sums to more than 100% because several respondents indicated more than one category).

One respondent believed the eligibility requirements for Social Security were having a significant influence on succession planning:

Farm succession was made almost impossible in 2000-2001, with changes to the Social Security laws. I can see real problems emerging as a result of this. In the 1990s, family trusts were used to enable farms to be worked by younger people, while older people still owned the land for security. My father and mother own the land and cannot get a pension because of assets, and are unwilling to pass the land on because of lack of security. There is not enough money in farming for me to buy the property and they have to have an income. This is happening to many farms. Farmers are becoming older for this very reason.

The greater proportion of respondents (73.8%) was contributing to a superannuation fund. Of these, the most common type of fund was a private superannuation or retirement fund (86%). Another 21% of respondents were involved in compulsory superannuation in off-farm employment. Most respondents (90%) had a will or estate plan. However, nine per cent have no such plans.

In comparison with other countries, Australian farmers' choices for retirement income are fairly evenly spread across the seven options (See Figures 4.12b and 4.12c).

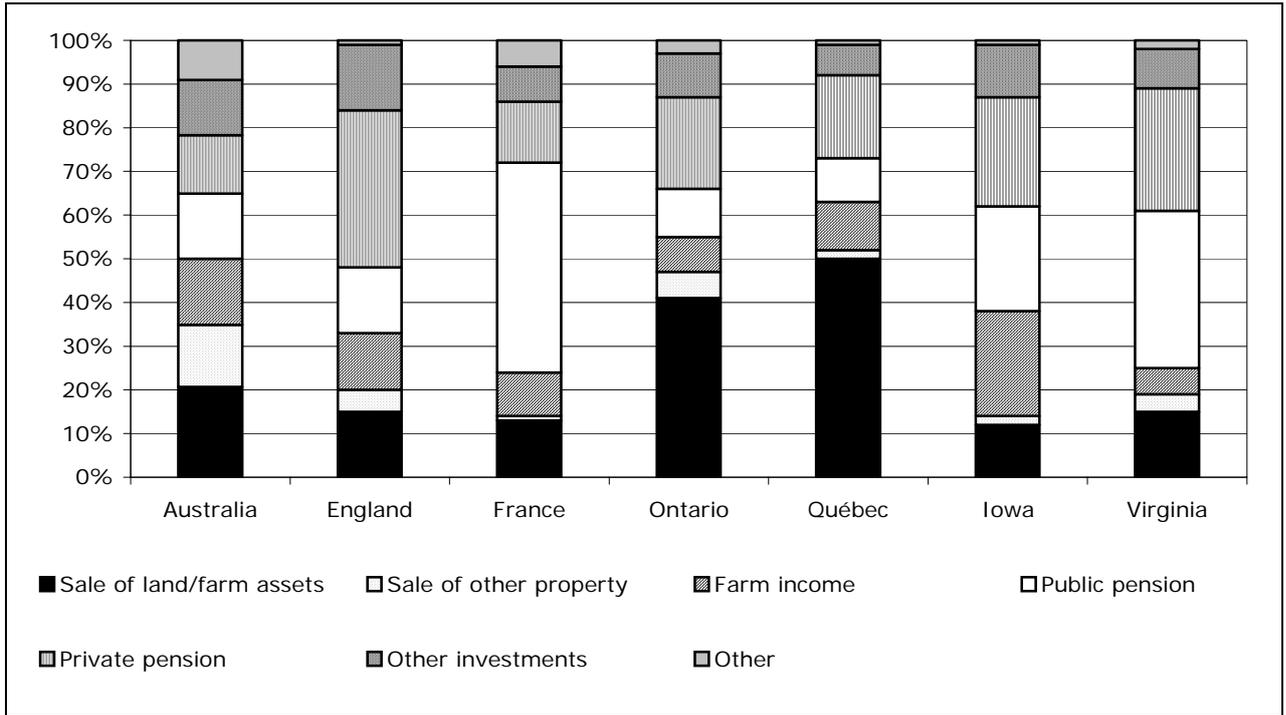


Figure 4.12b: International comparison of sources of retirement income: Full retirement.

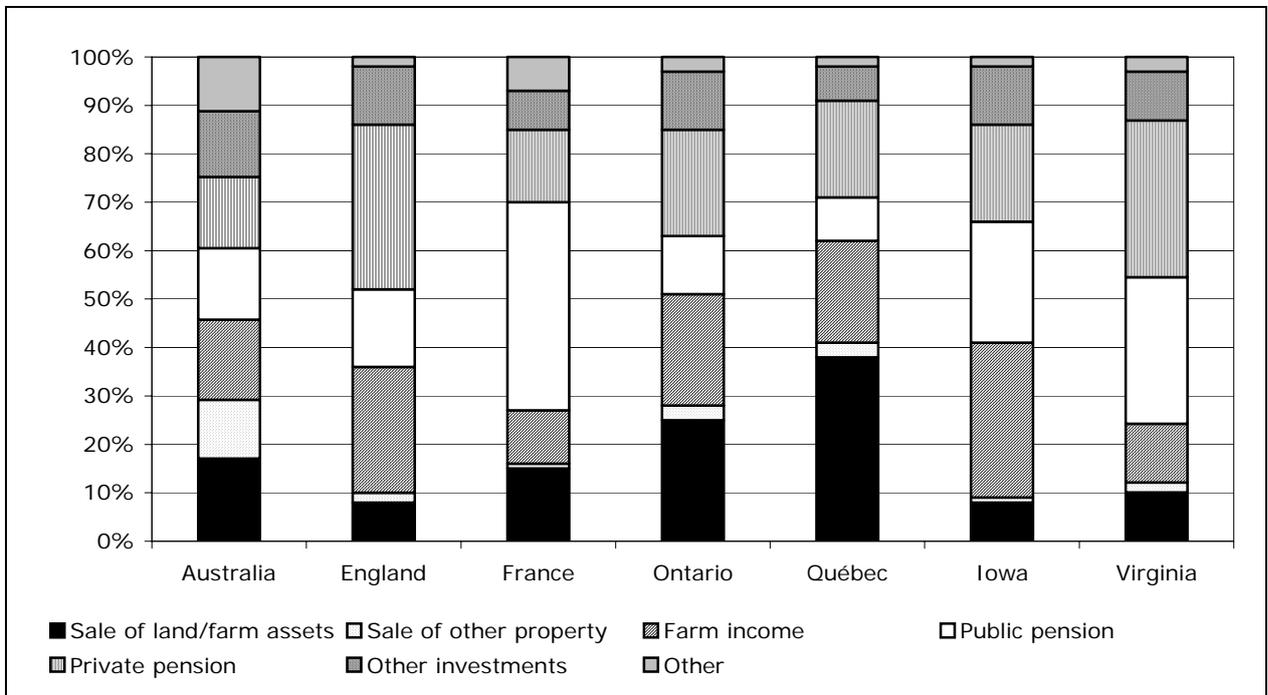


Figure 4.12c: International comparison of sources of retirement income: Semi-retirement.

4.4 Discussions regarding the issue of retirement, succession and inheritance

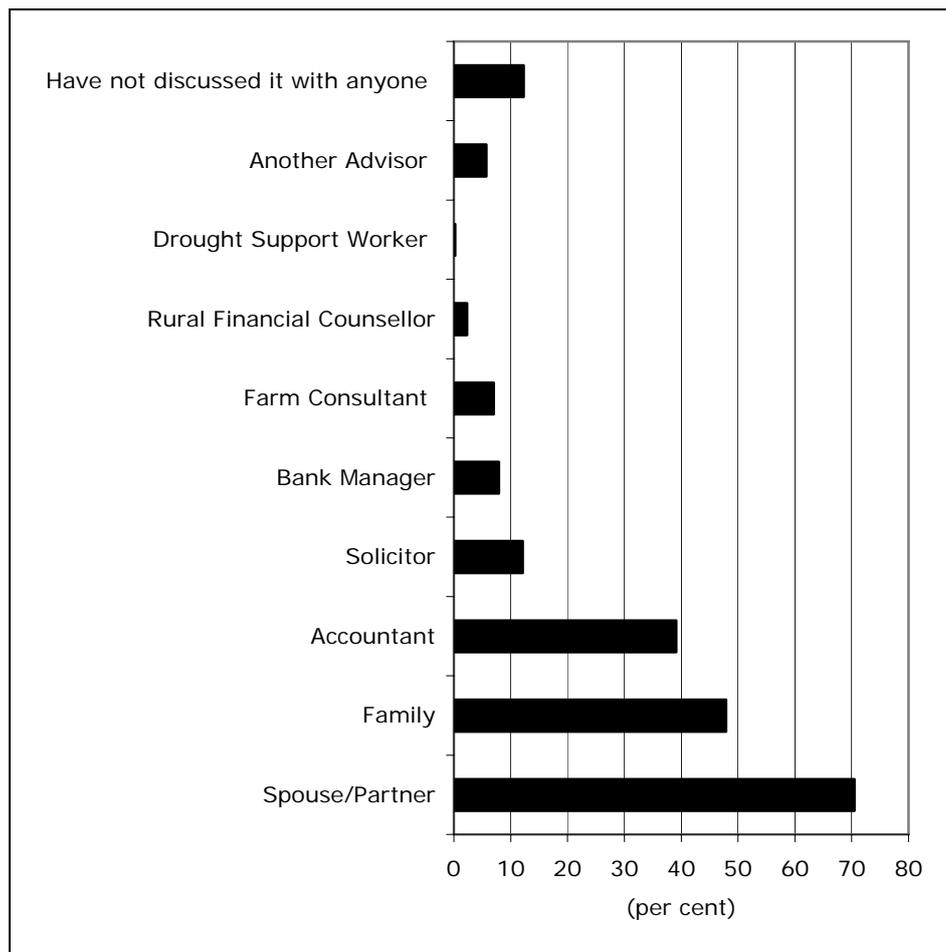
Previous studies have identified the lack of communication between family members over the issue of retirement, succession and inheritance (Gamble et al. 1995; Kaine et al. 1997; Crocket 2004; Gamble and Blunden 2004). Many farmers prefer to talk about these issues with accountants or solicitors rather than with family members (Kaine et al. 1997).

Figure 4.13 reveals that while the majority of respondents had discussed retirement plans with their spouse or partner, less than half had talked over the issue with their family. Thus over 50% of younger generations in these families are being denied access to information that will significantly affect their future. One respondent wrote:

At 34 years old, my spouse and I find it very frustrating to be kept in the dark regarding succession. I have two sisters who will be considered.

Another cautioned:

Everyone's situation is different and all parties involved will always require and expect varying amounts of 'inheritance'. The most important thing is for the older generation to communicate with their potential successors. No one should be kept in the dark; futures are at stake.



(Note respondents could indicate more than one category)

Figure 4.13: Discussed retirement (N=789: weighted).

One respondent suggested:

Dealing with parents becomes harder as they get older, therefore, I believe, it is a must to put things in writing at an early age, even a contract within a family.

After the family, accountants were the next most likely people to be consulted regarding retirement plans. Twelve per cent of respondents had not discussed the issue with anyone (see Figure 4.13 above).

In comparison with other countries, the 59.2% of farmers in Australia who have discussed retirement with their family (which includes the 70.5% who had talked with their spouse and 47.9% with the rest of the family) was lower than those in Virginia (68.8%), similar to those in Ontario (58.4%), but greater than those in Quebec (53.9%), Iowa (52%) and Japan (32%) and England (24%) (Uchiyama et al. 2004).

Table 4.1 presents the comparison between countries of those respondents aged 50 to 59 years who have discussed retirement with various people. Australia has the lowest proportion of those who have not discussed the topic with anyone. More Australian farmers discuss their plans with accountants than do their overseas counterparts.

Table 4.1: International comparison of respondents aged 50-59 years who have discussed retirement (%).						
	Australia 2004 (N=235)	France 1993	England 1997	Ontario 1997	Québec 1997	Iowa 2000
Family	58.9	55.1	27.8	63	63.3	54.5
Solicitor/lawyer	8.5		14.3	6.5	9.6	10.6
Banker	9.8	9.1	6.8	9.8	7.2	13.6
Accountant	40.4	28.4	39.1	38	33.1	18.2
Farm consultant	7.7	20.6		5.4	11.4	4.6
Other farm advisor	8.5	8.2	3.8	6.5	6	3.1
Other	5.1	5.8	6.8	9.8	6	1.5
No-one	9.4	28	44.4	28.3	27.7	32.3

*Total sums to more than 100% because some farmers indicated more than one category.
Source: Errington and Uchiyama (2003).

Uchiyama et al. (2004) found that farmers who have identified a successor were more likely to have discussed retirement with their family than those without a successor (35.9% and 27.3% in Japan; 61.8% and 47.4% in Iowa, 77.6% and 64.6% in Virginia, 64.4% and 54.4% in Ontario and 61.4% and 47.9% in Quebec). The one exception was England (27.3% and 21.5%). Likewise, Australian farmers who have a successor were more likely to have discussed retirement with their family than those without a successor (60.5% and 39.5%) ($\chi^2 = 25.34, p > 0.0001$). Uchiyama et al. (2004) concluded that the presence of an identified successor has a significant effect upon farmers' retirement plans although the degree of the effect varies between countries.

4.5 Succession plans

4.5.1 Identification of a successor

Just over half (51.6%) of the total sample of respondents (N=1180) reported that they had already identified a successor who would eventually take over the management of the property. Of these, the successor was most likely to be a son 611 (52%). Only 122 (10%) of successors were daughters. Nineteen (2%) of the identified successors were sons-in-law while another 15 (2%) were nephews.

Within the main survey sample (N=789) there were 166 respondents (14.7%) who had identified additional successors who they expected would also become involved in working full or part-time on the farm. Of these, 38 had sons who were expected to be working full-time and 31 had sons who were expected to farm part-time. There were eight daughters who were expected to be working full-time and 29 daughters who were expected to work part-time on the farm.

Age was a significant determinant of farmers choosing a successor with younger farmers less likely to have identified a successor than older farmers ($\chi^2 = 43.16, p > 0.0001$).

Figure 4.14a displays the proportion of farmers who have chosen a successor by age group. The analysis revealed farm size was not a factor in this relationship. The figure indicates that farmers begin to think about these issues after the age of fifty. As one stated: 'I haven't thought about it yet, as I am only 52 years-old'.

The proportion of farmers with an identified successor (51.6%) is comparable with those in England (52.8%) and Japan (49.8%) but greater than those in Ontario (39.8%) or Quebec (42.1%) and particularly Iowa (28.8%) and Virginia (30.8%) (Uchiyama et al. 2004). As the age of farmers varies greatly between countries, a comparison of the identification of the successor by age of respondent by country was conducted (see Figure 4.14b).

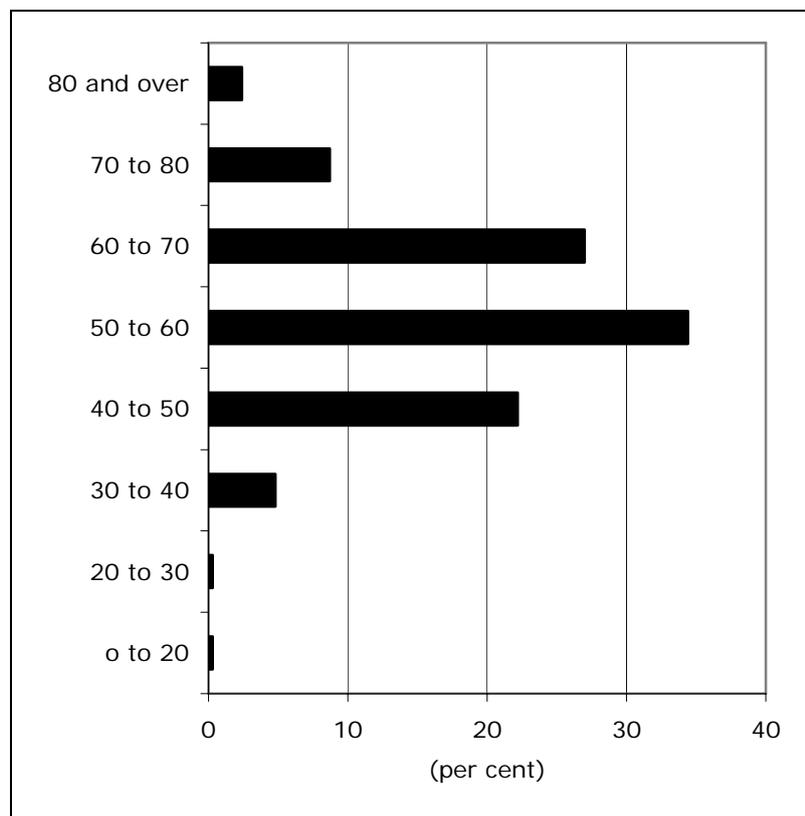


Figure 4.14a: Farmers who have identified a successor, by age.

Australia is similar to England and Canada in proportions of successors identified by age group. The American states recorded much lower proportions (Uchiyama et al. 2004). Of note is that more of the younger farmers amongst the Australian cohort had chosen a successor in comparison to other countries.

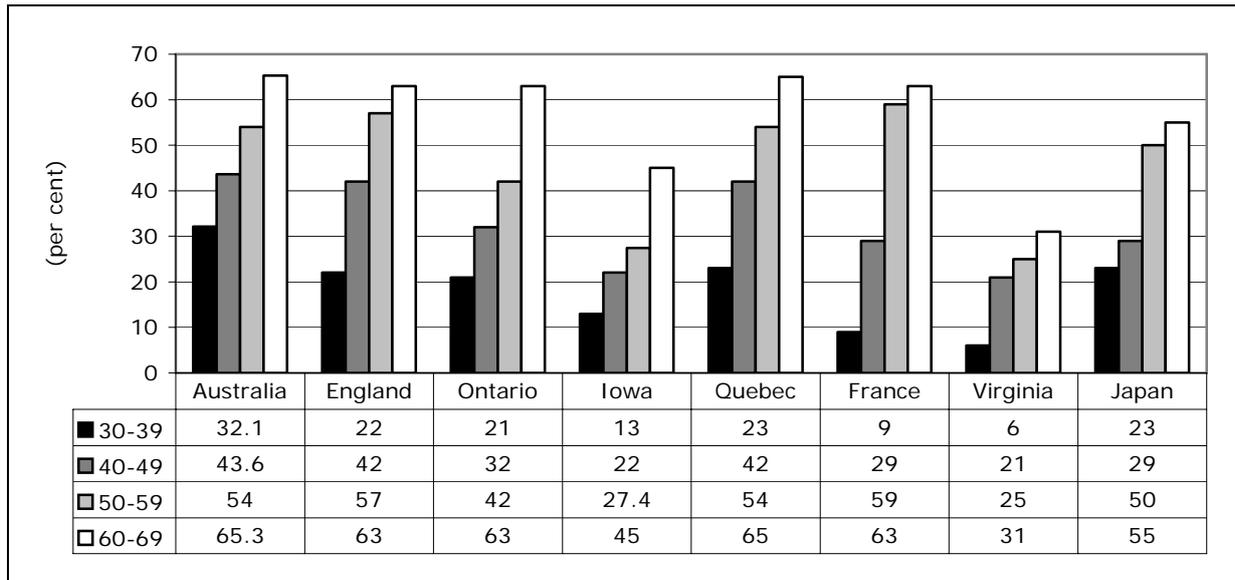


Figure 4.14b: Comparison of ages of farmers who have identified a successor (N=1180).

Farm size was also a determinant of Australian farmers choosing a successor with respondents on farms smaller than 200 hectares being significantly less likely to have nominated a successor ($\chi^2 = 67.14$, $p > 0.0001$). Unique to the Australian study, properties greater than 50 000 hectares were less likely to have a successor. This would likely be due to the fact that large outback properties are more likely to be run as companies rather than simple family farm businesses.

4.5.2 Factors predictive of the identification of a successor

To identify those factors that are the greatest predictors of farmers choosing a successor, a logistic regression was conducted. Predictors were the age, gender, education level and cultural heritage of respondents, the number of their children, their retirement plans and expected retirement age, whether they planned to move from the farm in retirement, their beliefs about succession, the farm size, farm debt and the number of years they had been farming the property. The dichotomised dependent variable was whether or not the respondent had chosen a successor. In order to check for multi-collinearity, tests for variable inflation factors were conducted. Two variables had to be removed: age of respondent and planned retirement age. However, removal of these variables did not change the outcome of the analysis. The remaining variables recorded tolerances of less than .60 indicating multi-collinearity was no longer a problem.

The results were significant and indicated that the factor that was most predictive of farmers choosing a successor was their adherence to particular cultural mores about succession and inheritance. Those who held a belief in maintaining the family farm as a whole unit and passing it onto one heir were more likely to have chosen a successor. Those more likely to have alternative inheritance plans, such as selling the property for retirement or gifting it to some conservation program, were **less** likely to have chosen a successor. Other significant factors predicting a successor were the larger property size and the greater length of time the respondents had been operating the property. Table 4.2 summarises the logistic regression coefficients of those factors that significantly predicted the probability of a farmer choosing a successor.

Table 4.2: Logistic regression coefficients of factors significantly predicting upon farmers' decisions to choose a successor.		
Variable	Beta Scores	Standard Error
Belief farm should be passed to sole heir	1.1823**	0.23
Alternative inheritance plans	-2.6343**	0.40
Length of time on property	-0.6005**	0.10
Farm size	0.3894*	0.01
Constant	0.8859*	0.43
-2 Log-Likelihood	202.95***	

*p<0.01 **p<0.001 ***p<0.000 (two tailed tests)

4.5.3 Profile of the successors

4.5.3.1 Age

The average age of successors was 28.5 years (SD 11.23). Figure 4.15 displays the ages of successors. Australian successors are considerably younger than those in other countries with the exception of Quebec; their mean ages being England 32 years, Iowa 31 years, Ontario 30 years and 26 years in Quebec.

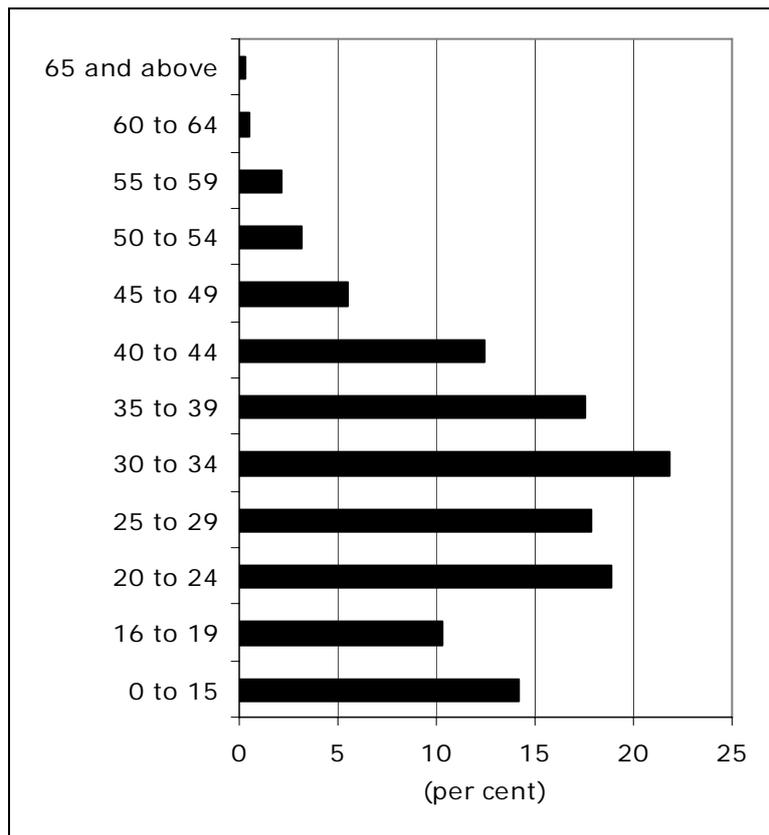


Figure 4.15: Age of successors (N=380).

4.5.3.2 Education

The largest proportion of successors had achieved a diploma or associate diploma of education or trade certificate (see Figure 4.16). These findings indicate that children of farmers are being encouraged to achieve higher levels of education than their parents. These findings are consistent with previous studies (Crocket 2004).

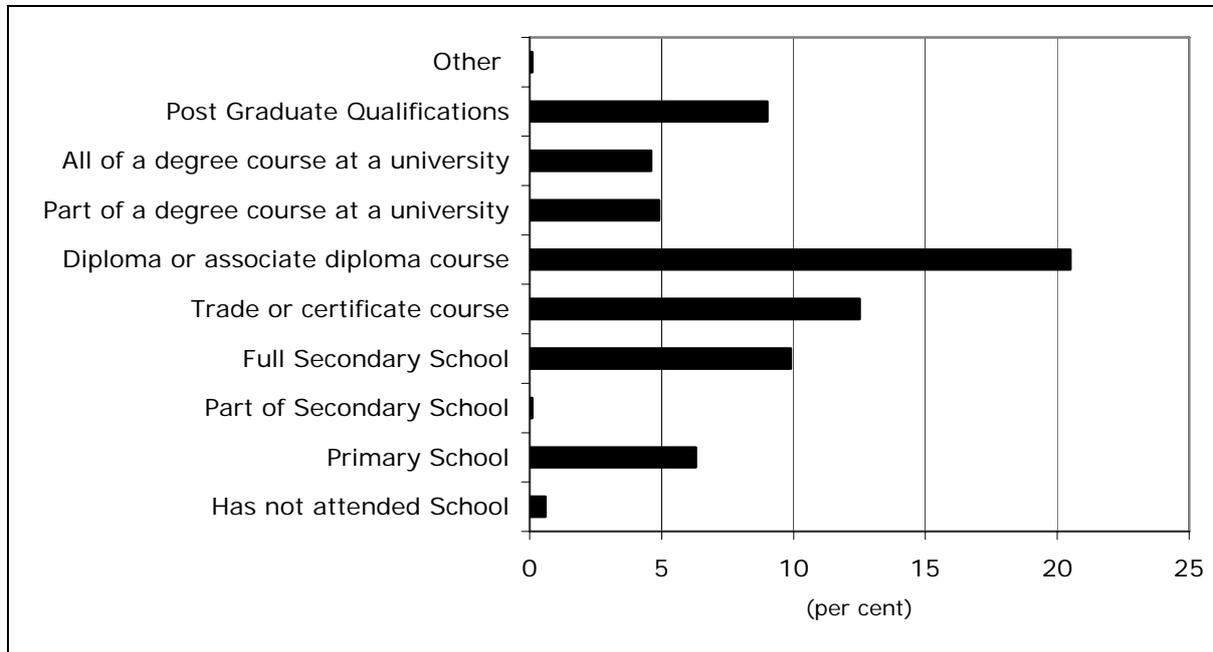


Figure 4.16: Education level of successors.

4.5.3.3 Successors' occupations

Most successors were working full-time on the family farm. Figure 4.17 displays the proportion of occupations of successors. (Note: The total sums to more than 100% because several respondents indicated more than one category).

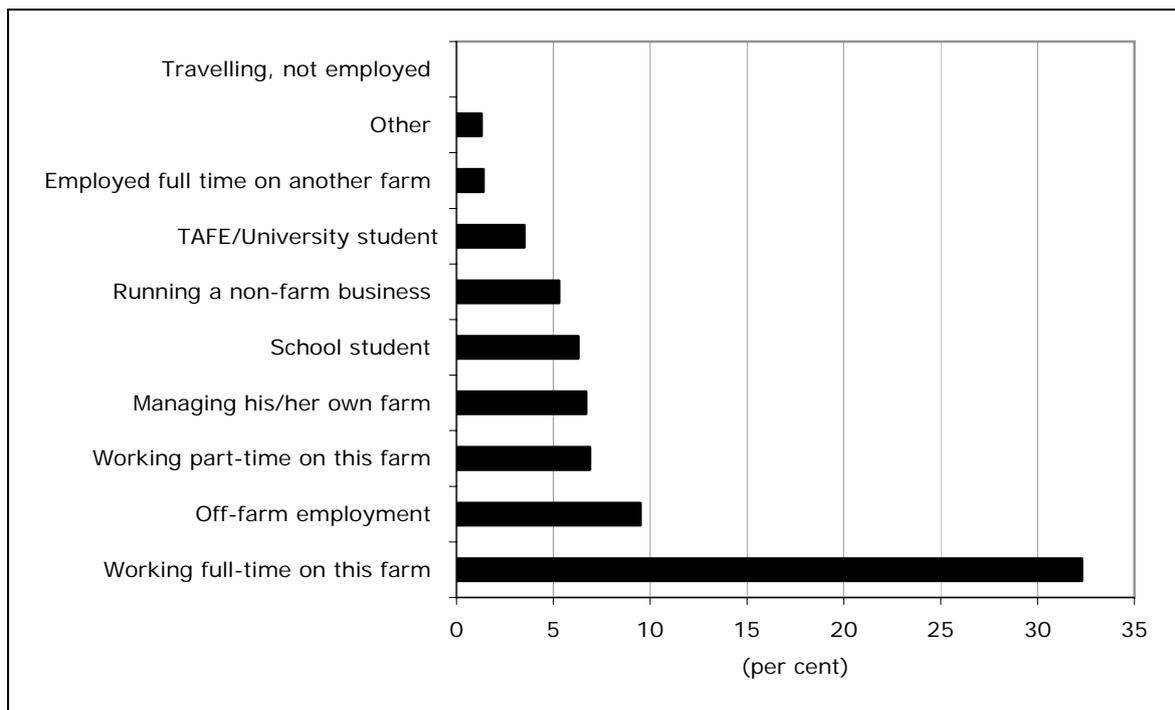


Figure 4.17: Successors' current occupations.

4.5.4 The succession process

One of the primary focuses of the Farm Transfers Study is to explore the various routes successors take to becoming a farmer. Successors may take a *direct route* where they become involved in farming upon leaving school or the *diversion route*, where successors take up off-farm employment after leaving school and return to the family farm later in life (Uchiyama et al. 2004). Uchiyama et al. (2004) found that in Japan and Virginia, a much higher proportion of successors were involved in off-farm employment while in Iowa, a relatively high proportion were managing their own farm. In Canada and England, as it was found in Australia, it was more likely for a successor to take the *direct route*: working alongside the older generation on the family farm.

Farm size is an important determinant of the route to succession as smaller properties are less likely to be able to support two generations. Uchiyama et al. (2004) found that with the exception of England and Virginia, successors from smaller farms were more likely to be involved in off-farm employment. However, the authors acknowledge that there may be a number of outside influences, such as local economic conditions, that may impact upon the route successors take towards family farming (Uchiyama et al. 2004). Similarly, the analysis of Australian farmers found that successors on smaller farms were more likely to be working off-farm while those on large farms were working full-time on the family farm ($\chi^2 = 20.51, p > 0.01$) (see Figure 4.18).

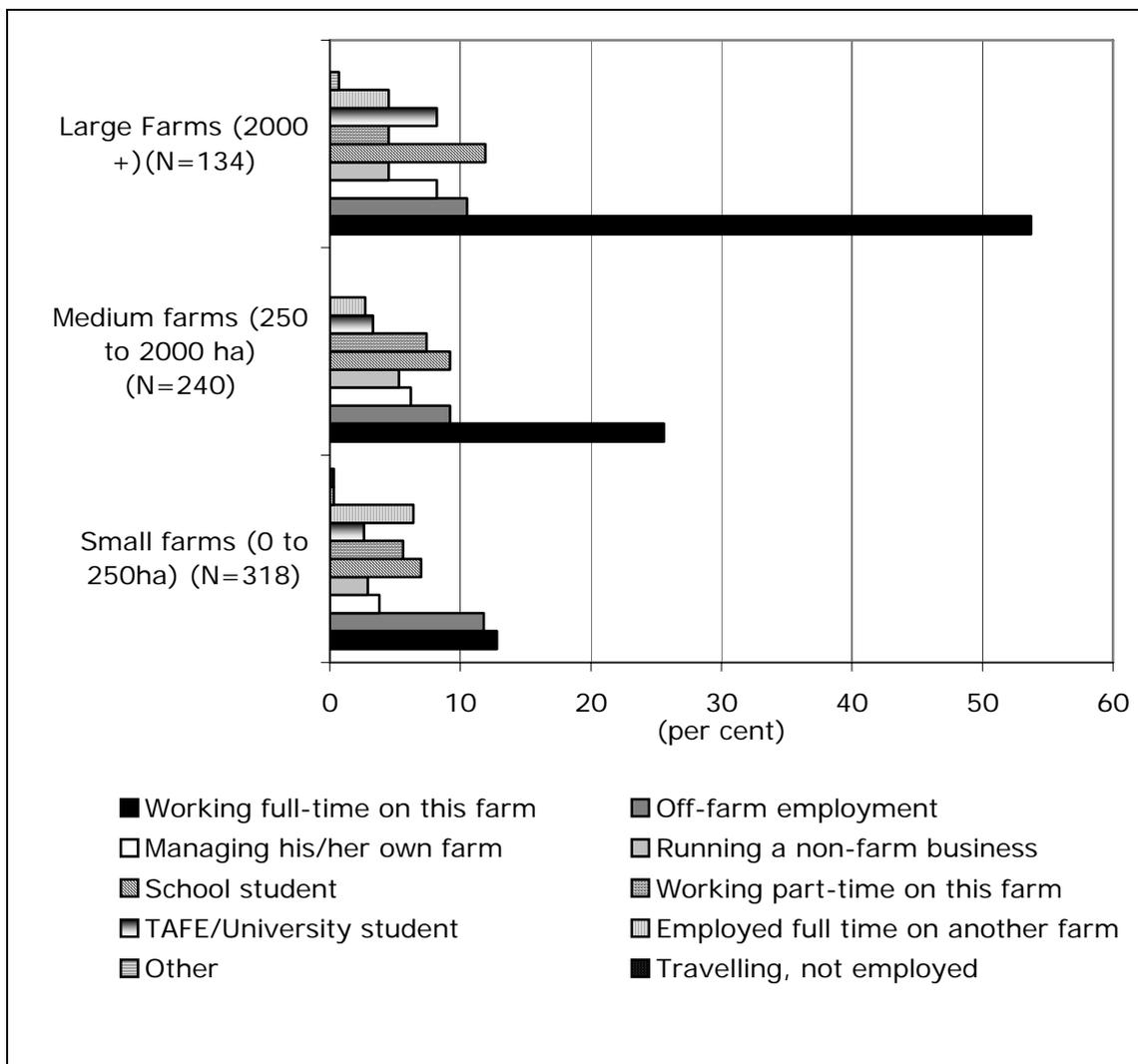


Figure 4.18: Successors' occupations by farm size.

4.6 Delegation of managerial responsibilities

The most important aspect of the International Farm Transfers Project was to examine the process of the transfer of the skills and knowledge relating to a particular property to the younger generation. Respondents were asked to indicate the extent to which decisions pertaining to a range of farm tasks were delegated to those successors working on the family farm. Responses ranged from *one* where the farmer has full responsibility through to *five* where the successor has full responsibility. The points in between allowed for the degree of shared responsibility. The tasks encompass technical, tactical, strategic planning, marketing, supervisory/managerial and financial aspects of the farm business as defined by Hastings (1984) (Uchiyama et al. 2004). Table 4.3 displays the proportion of responsibility and the mean scores for each task for successors aged 16 and over working full-time on the family farm. Financial decisions are the last responsibility transferred to the younger generation. Those tasks most commonly assigned to successors are the day to day planning and running of the property and supervision of employees.

Table 4.3: Delegation of responsibility to successors aged 16 and over working full-time on the farm (N=158) (per cent).						
Activity/Decision	Mean Score	Older Generation Alone	Shared Between Generations			Successor Alone
		1	2	3	4	5
Decide when to pay bills	2.42	43.5	12.2	19.0	9.5	15.6
Identify sources and negotiate loans and financing	2.59	14.4	7.7	7.5	7.0	5.6
Keeping farm records	2.79	30.9	13.8	21.1	13.8	20.4
Decide on the mix and type of enterprises in the long run	2.99	12.1	17.1	39.3	22.1	9.3
Decide and plan capital projects	3.09	7.1	20.0	40.7	21.4	10.7
Negotiate purchase of machinery/ equipment	3.11	12.8	17.6	33.1	18.9	17.6
Decide when to sell crops/livestock	3.16	7.8	19.9	37.6	18.4	16.3
Negotiate sales of crops/livestock	3.18	9.5	19.7	35.8	13.9	21.2
Make annual crop/livestock plans	3.18	5.7	21.3	36.2	23.4	13.5
Decide on the levels of inputs to use	3.22	9.5	15.5	36.5	20.9	17.6
Plan day-to-day work	3.24	6.1	18.2	38.5	20.3	16.9
Livestock management	3.25	8.8	21.2	29.9	16.8	23.4
Decide amount and quality of work	3.26	4.5	18.0	43.6	14.3	19.5
Decide when to hire more help	3.28	8.4	16.8	37.4	13.0	24.4
Recruit and select employees	3.30	11.2	16.0	29.6	18.4	24.8
Decide on the timing of operations	3.31	7.7	16.8	32.2	23.8	19.6
Decide work method/way jobs are done	3.36	4.3	17.7	36.9	20.6	20.6
Decide type and make of machinery/equipment	3.39	4.1	17.6	30.4	31.1	16.9
Supervise employees	3.52	4.7	15.7	29.9	22.0	27.6

4.6.1 The succession ladder

The analysis across countries found that universally, financial decisions were the last area of the farm business management to be delegated to successors (Uchiyama et al. 2004). Table 4.4 compares the rank order of responsibility scores across those items in the scale that were used in each survey. The types of decisions more often delegated and those least delegated are similar across the countries. There are similarities between the patterns of England and Ontario while Ontario was similar to France (Errington 1998). There are some parallels between patterns in Australian and those in England. The main differences between Australian farmers and their counterparts were the decisions regarding the long-term balance and type of enterprise and the negotiation of purchase of machinery and equipment. Farmers in other countries were more likely to hand this responsibility to their successors at a much earlier stage in the succession ladder.

Table 4.4: Rank order of responsibility scores across countries.

Activity/Decision	Australia 2004	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
Decide long-term balance and type of enterprises	3	6	6	7	10	7=	5=	11
Decide and plan capital projects	4	5	7	5	8	4	7	9
Negotiate purchase of machines and equipment	5	8	9	6	9	5	8	12
Decide when to sell crops/stock	6	4	4	4	5	7=	5=	6=
Negotiate sales of crops/stock	7=	3	2	3	3	2	4	6=
Make annual crop/stock plans	7=	7	5	8	4	10	9	4
Level of inputs used	8	13	13	11	6	6	3	5
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 type and make of machines and equipment	11	11	11	10	12	9	10=	13
Decide work method/way jobs are done	12	12	10	13	13	13	13	10

The farm transfers analyses showed that the succession process tends to be much faster in France than in England while the Canadian provinces lie between these two extremes. Iowa has the slowest rate of progression up the succession ladder (Errington and Lobley 2002). The authors observed that farmers working on their own property in France are much younger than their English counterparts and a smaller proportion are working alongside their parents, which suggests that there is an earlier and faster transfer of control to successive generations in France. Other factors such as the smaller size of farms in France as well as an early retirement scheme for farmers may also lead to a more rapid transfer of responsibility within French farm families (Errington and Lobley 2002).

Uchiyama et al. (2004) also found there was a trend of delegation increasing with the age of successors. To test the rate of ascent on the succession ladder, international comparisons of responsibility levels for successors were conducted with the cohort aged 25 to 29 years where the successor has a greater or equal share in taking each of the decisions (that is, scoring the mid point or more on the responsibility scale).

This cohort was selected because there were a relatively large number of respondents with co-working successors in this age group in each country's sample—although in Australia, the largest cohort of successors were the 30 to 34 age group.

Figure 4.19 compares the Australian data with those of other countries on the sharing of decisions between the older generation and the successor aged 25 to 29 working full-time on the family farm. It shows the proportion of farms where the successor has an equal or greater share of the decisions for each type of task on the responsibility scale. While the process of handing over control to successors is very similar across countries, the rate in which this occurs is much faster in France than it is in England or Iowa. Overall, French farmers tend to delegate more responsibility to their successors than farmers in other countries, particularly in Iowa and England (Errington and Lobley 2002). Australian farmers, while considerably more generous than their counterparts in Iowa, are less generous than farmers in Canada and France. Their pattern of delegation of responsibility is rather unique in comparison to other countries but in general, the rate of transfer of responsibility to successors is slow.

4.6.2 Patterns in succession

The final stage of the analysis assessed Errington's (1998) typology of succession amongst Australian farmers. As described in Chapter 2, Errington defined two main patterns of succession, namely the degree of responsibility successors have regarding decisions in managing the family farm and the extent to which they are able to run a separate enterprise such as a piggery or even a separate property within the family farm business.

The four-fold typology based upon these two patterns includes; the *standby holding* where the successor works their own property in partnership with the family; the *separate enterprise*, where the successor has full responsibility for one aspect of the family farming operation; and the *partnership*, where the successor has equal responsibility in several areas of management of the family farm and conversely, the *farmer's boy*, where the successor works on the family farm for a long time but is delegated few responsibilities. This situation has been found to be more common in England than in other countries where 44% of English successors working on the family farm were more than 30 years old and 14% were over 40 years (Errington and Lobley 2002).

Errington and Lobley (2002) added two further categories of successors: those over the age of 16 who are in *full-time education* and those on a *professional detour*, such as running a non-farm business, employed on another farm or working in off-farm employment or travelling.

The International Farm Transfers study has found that the succession process may move from one type to another before the transfer is completed. These patterns impact upon the smoothness of the succession process, farmers' behaviour and their receptiveness to various policies as well as the sustainability of the farm operation (Errington and Lobley 2002). The proportions of Australian successors within this typology were assessed among those who had nominated a successor (N=380). Figure 4.20 displays the percentages for each type.

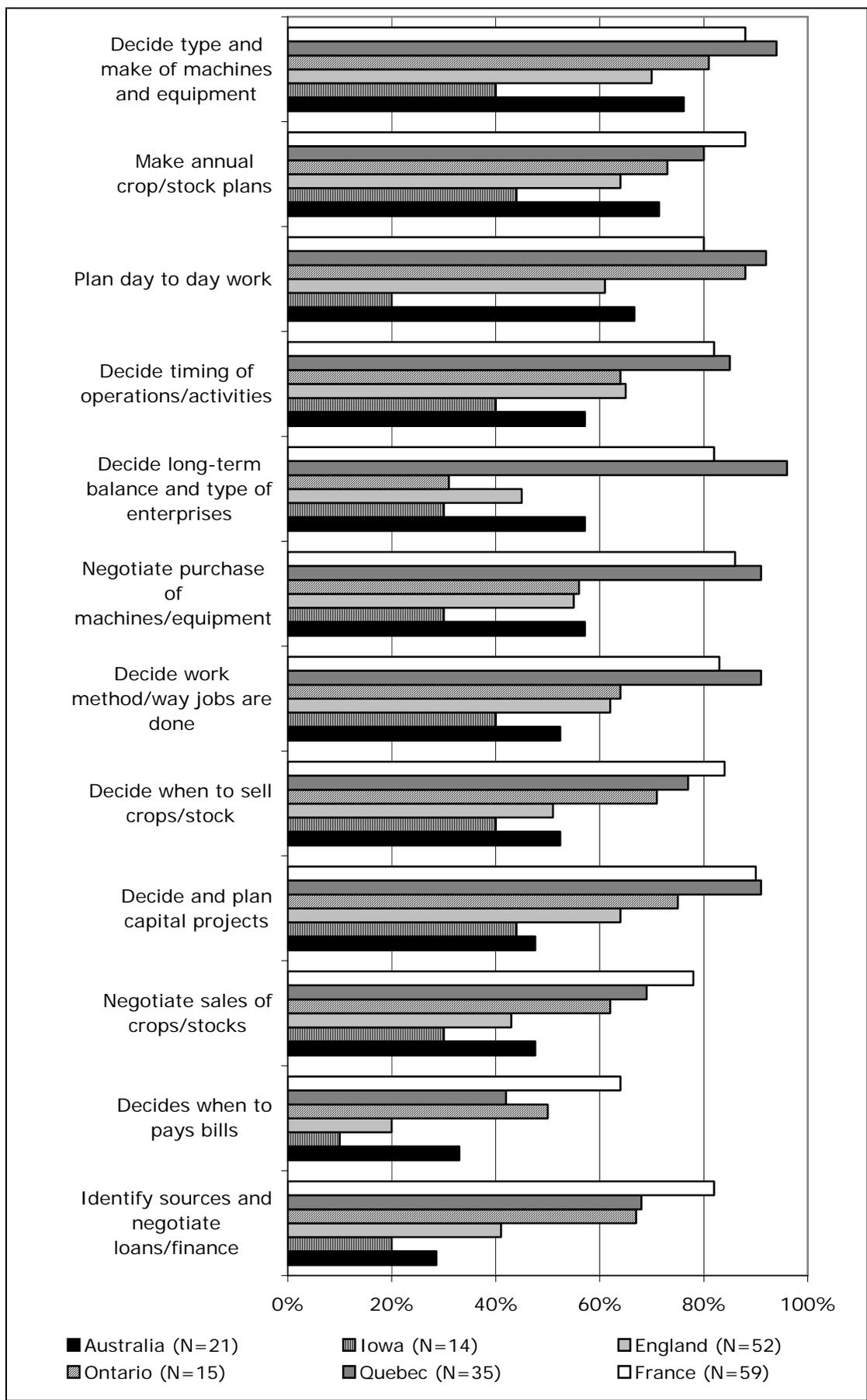


Figure 4.19: Proportion of farms where the successor has an equal or greater share of the decisions for each type of task on the responsibility scale.

4.6.2.1 Professional detour

These successors (35%) were either running a non-farm business, employed on another farm or working in off-farm employment. Only one was travelling. This proportion is higher than successors in England (10.2%), Ontario (30.2%) and Quebec (14.5%) but lower than those in Iowa (45.3%).

4.6.2.2 Full-time education

Thirteen per cent of successors over the aged of 17 were participating in higher education.

4.6.2.3 Separate enterprise

There were 115 (30.3%) successors who were working on the farm who held full responsibility for a particular enterprise within the farm business. The most common type of enterprise was cropping of some form (25%). Other enterprises included beef cattle or sheep production (12%), a dairy (7.8%), piggery (2.6%) and cattle or sheep stud (2.6%). Three successors had responsibility for repairs and maintenance of machinery. Two had cattle feedlots, while another two had an artificial insemination/breeding program. Two more had an orchard while a further two grew potatoes. Other individual pursuits included shearing, wool marketing, hay production and an earthmoving business.

4.6.2.4 Standby holding

The proportion of successors running their own farm was 11.6%. This is higher than successors in England (6.8%), Ontario (9.9%) or Quebec (5.9%) but lower than those in Iowa (19.8%). The high price of land in England and the lack of opportunities for new entrants to rent farms are the main reasons for low proportions of standby farms in England (Errington and Lobley 2002).

4.6.2.5 Partnership

This group comprised 24% of the successors. Successors were apportioned to this group if they were aged 20 years and over, working full-time on the farm and their scores on the delegation of responsibility scale were equal or above the mean score of the cohort of successors aged 20-29. The majority of these successors also held full responsibility for a separate enterprise within the farm business. This group is the most privileged amongst the successors.

4.6.2.6 Farmer's boy

This group was defined according to the methodology of Uchiyama et al. (2004) as occurring when the successor is 35 years or over, involved in the family farm business on a full-time basis and the delegation of responsibility score is lower than the mean score of successors aged 20-29 years. The analysis revealed that there were a relatively small proportion of successors that were in this situation in Australia (5.3%).

One of the respondents wrote:

The biggest problem is the 'old bloke' not handing over the reins - I'm now in my late 40s and the plan has now changed from just me inheriting the farm (my sisters will inherit share portfolios) to provision for nieces and nephews all getting land or proceeds from their sale.

One woman described her situation:

My father-in-law died intestate at 92. His only son, my husband, had worked for decades on the farm with no real income. His sister, who had not visited the farm for 10 years, inherited half of the farm. Financial advisers told my husband his position was untenable with probate and buying out half of the farm. He said, 'I went to war (WWII) to live on this farm, I'm staying here'. This was when I returned to the workforce for the next 28 years, as there was so much debt on the property. My wage enabled us to stay here until my husband cleared the outstanding debt.

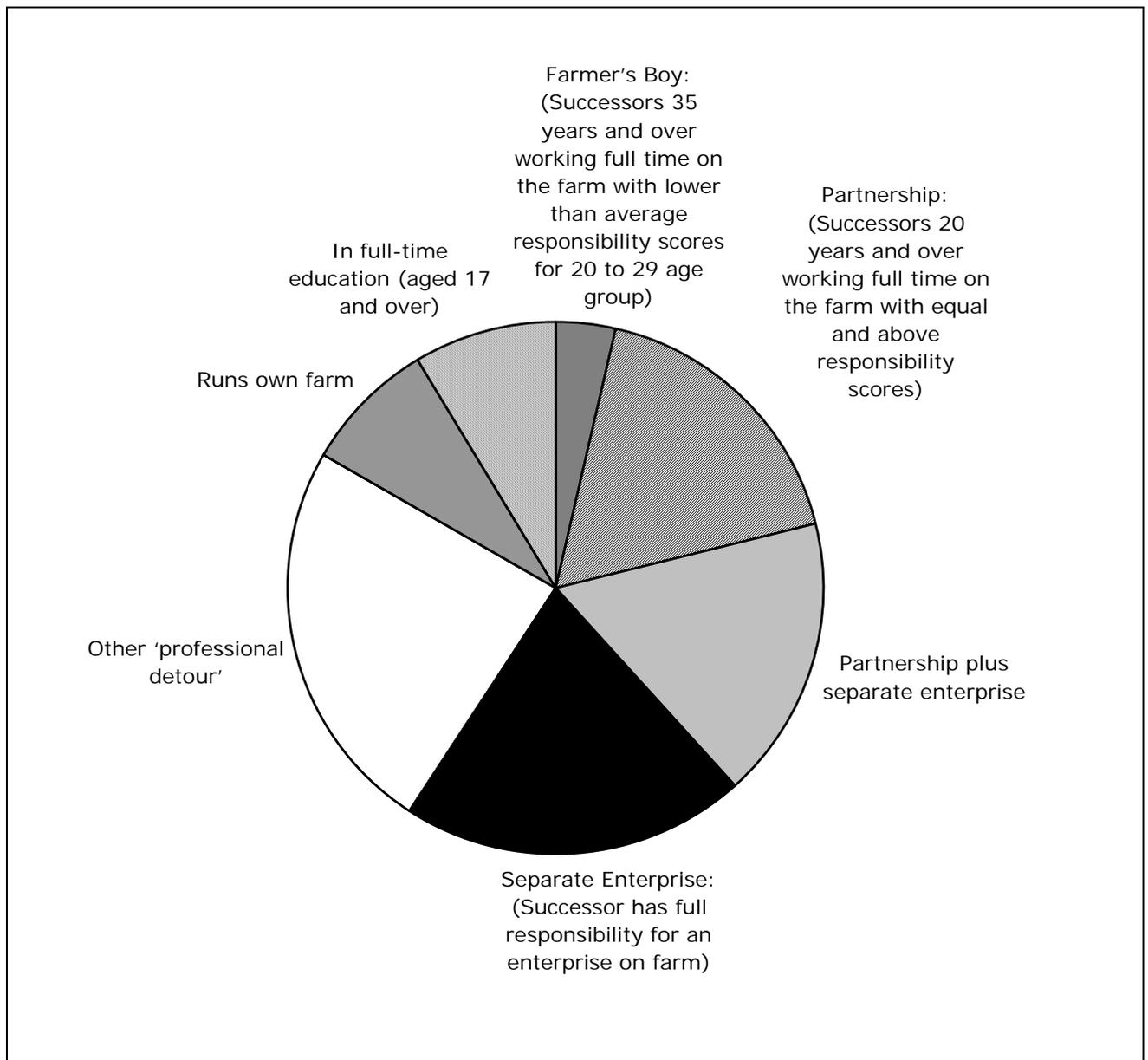


Figure 4.20: Patterns in succession.

Another farmer acknowledged the position his son was in:

The farm will pass to the son currently running farm who has worked for virtually no wages for 16 years; other children have incomes from occupations separate from the farm. The farm is barely viable for one family; if left to more than one child; it would have to be sold. The son is to pay five siblings a set amount of cash, which was arrived at by considering the years of unpaid wages being offset by building up his equity in the farm

4.7 Attitudes towards succession

4.7.1 Succession and inheritance options

Farmers' attitudes towards succession and inheritance were also explored to assess the influence of cultural values and mores upon succession planning. Those farmers with more than one heir have a range of options for inheritance. Some may plan to keep the farm as one unit and pass it on to one heir while others will divide the property equally between all heirs. Respondents were asked what they believed was the best plan for their family farm operation and why. Most noted that these were difficult decisions. As one said: 'This is the most vexed question currently in my life. Basically, it remains in the "too-hard" basket'. Figure 4.21 reveals that the greater number of respondents believed handing the farm onto a sole successor was the best option. As one wrote:

Passing the farm onto one heir guarantees the best chance of the farm surviving and staying in the family. Giving out assets in property to non-participating family members is destroying the family farm today. The one who inherits the farm should be actively working the land; too many now get left farming land ownership that have never done any work on the property.

Others believed that the farm should be left to the child/children who show the most interest in farming: 'My farm will left to my children, according to their commitment, interest and input to this operation'. Thirteen per cent of respondents noted that while one or more sons would inherit the land, equal shares of assets would go to other siblings most of whom were daughters. One respondent explained:

It is most important to plan for the passing on of family properties, and we have endeavoured to try and put some equity into our planning. It is very hard to make it equal and prevent the break-up of a family farm, particularly when you have daughters that are not involved in the operations of the farm. However, our daughters were afforded a higher education and all have high-level employment. The family farm supported their education.

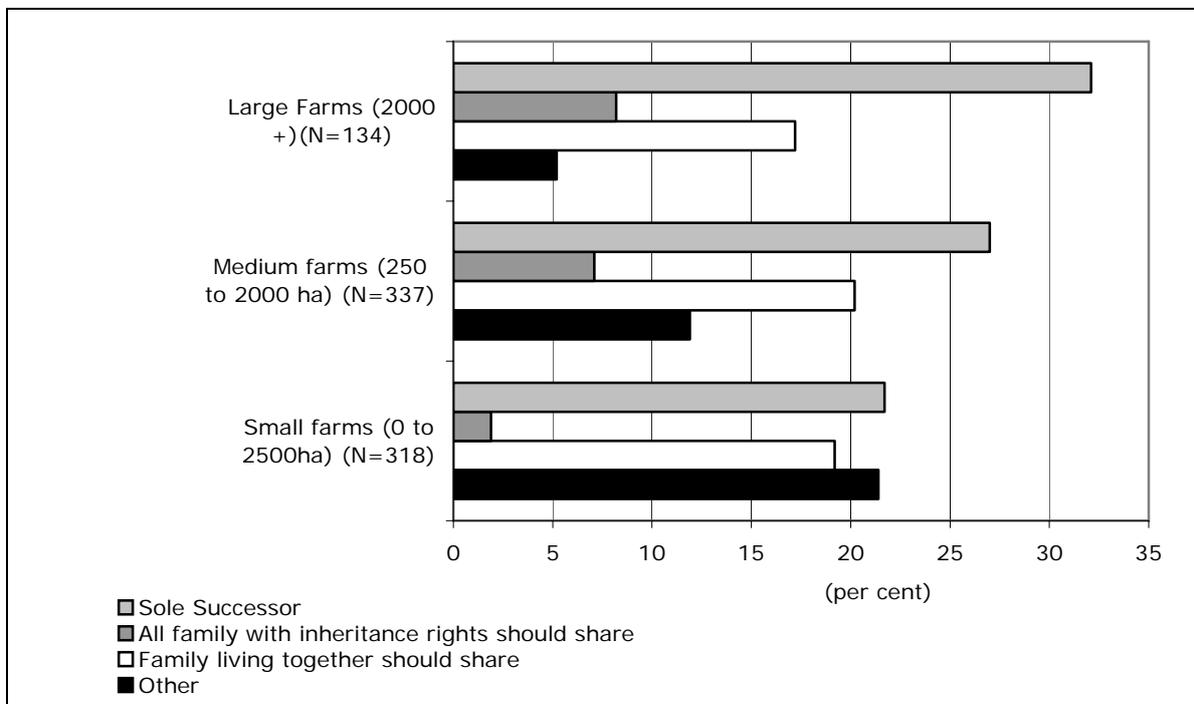


Figure 4.21: Attitudes to division of property between successors by farm size (N=789).

Being fair to all children was another important value that decided succession plans. The second preferred option (27%) was to ensure all family with inheritance rights had an equal share. One explained: 'I believe that assets should be divided equally and that one person is no more important than the other'.

Others noted the need to ensure other family members receive an equal share of the inheritance could cause problems for the successor.

It is always difficult for the one/s that remain on-farm. They battle everything, with often little financial reward for time and effort, while the one/s who leave and want their share end up taking any of the profits and put the one/s remaining into a situation of being unviable, and in turn nearly unemployed, with no remaining capital value.

Another added:

While it may be fairer to leave a property evenly to all members of a family, it often means no one in the family can afford to buy the others out, so it leaves no other option but to sell the property.

I feel if the biggest portion is left to the person who is the most interested in carrying on the property, with the agreement that if the property is sold within 15-20 years, the money from the sale is distributed evenly to all beneficiaries. It all depends on how much people want to keep the property in the family.

One explained further:

If a family member works the farm and maintains or improves the value of the farm, credit should be given in the way of a larger share in proportion to that person's effort and commitment, if other family members have chosen other career paths. To be fair is not necessarily to be equal.

In particular, many of the respondents felt strongly about the issue of the financial burden a successor must carry when other non-farming siblings must be paid their inheritance:

As we have a large family – six children – it is talked about openly about the past – that those who have left the farm are not entitled to any part of the land. A cash payment will be given to non-farmers in the event of my death. In Australia, too many children leave the farm and then have their hand out for large amounts of money when parents decease, leaving the sons or daughters left to carry impossible debts.

Due to these difficulties, one farmer stated:

In Australia, it appears that you leave the farm to the son or daughter you like the least!

Those in the best position had a property set aside for each child. Some had decided to let children work it out for themselves after they had gone.

Most of the 'other' options referred to the sale of the family property (14.4%, N=789). The main reasons for sale were that their children were not interested in farming and there was no other possible successor. Others reported they would sell in order that all their children would receive an equal share in the inheritance. Often these properties were smallholdings. One respondent commented this was the only way to avoid disputes. Another explained:

The only way to be fair to our family is to sell our farm. The farm not big enough to provide an income for two families, even though there is enough work for two. Even with off-farm work to supplement the income, it is not fair to expect our son to come home and work for not much when he has a young family to provide for.

Alternatively, for eight respondents, there was a need to sell the property for retirement income:

Being such a small farm, it will most likely be sold. We consider this farm to be a major part of our retirement. Our son is very keen on farming and would really love to farm, even at age 13. But with the way the price of farms in our area in the last 18 months tripling in price, it is near impossible to expand. We would be trying to help our son get into something in agriculture, such as farm management, stock and station agency, machinery mechanic, etc. I would certainly not like to see our son work the way my wife and I have worked over the last 25 years. It is only now that we are reaping the rewards of our work. With this small farm being only 40 minutes' drive from a major NSW inland city, I would expect to have a wonderful nest egg in 10-15 years. It is certainly too dear to farm now.

Another had different values but similar goals:

Hopefully, we will get to sell our farm and buy a nice home and spend our kids' inheritance. We have earned it. We would divide our assets equally among our four children.

Fourteen per cent stressed the need to keep their property as an intact unit for sentimental reasons but mostly because it would be unviable if divided. Viability was an important factor determining farmer's decisions to sell or pass the farm on. As one stated: 'If it's not debt-free, don't hand it down'.

At my age, I intend to work towards (and with my sons) achieving viable land units to enable those wanting to stay on the land to do so. My father helped me buy my first property and is a great source of advice and support. I would like to do this for my sons as well.

Another added:

To me, the main objective would be to make sure the property that is passed down is viable to produce a living for that family or families. If that can't be achieved, I believe the property should be sold and everyone go their separate ways. Better that than everyone living in poverty.

Age proved to be an influence on these beliefs with younger farmers tending to favour partible inheritance than did older farmers ($\chi^2 = 30.31$, $p > 0.0001$). This finding suggests that there may be opportunities for change in inheritance patterns in the future as these younger farmers undertake their succession planning.

The logistic regression conducted above (see Table 4.2) indicated that rural ideology plays a significant role in determining the succession plans within Australian farm families. Figure 4.22 displays the significant differences between those who have chosen a successor and those who have not by their beliefs about the best path for handing on the family farm ($\chi^2 = 153.03$, $p > 0.0001$). Those who believed there should be a sole successor were more likely to have already selected that person.

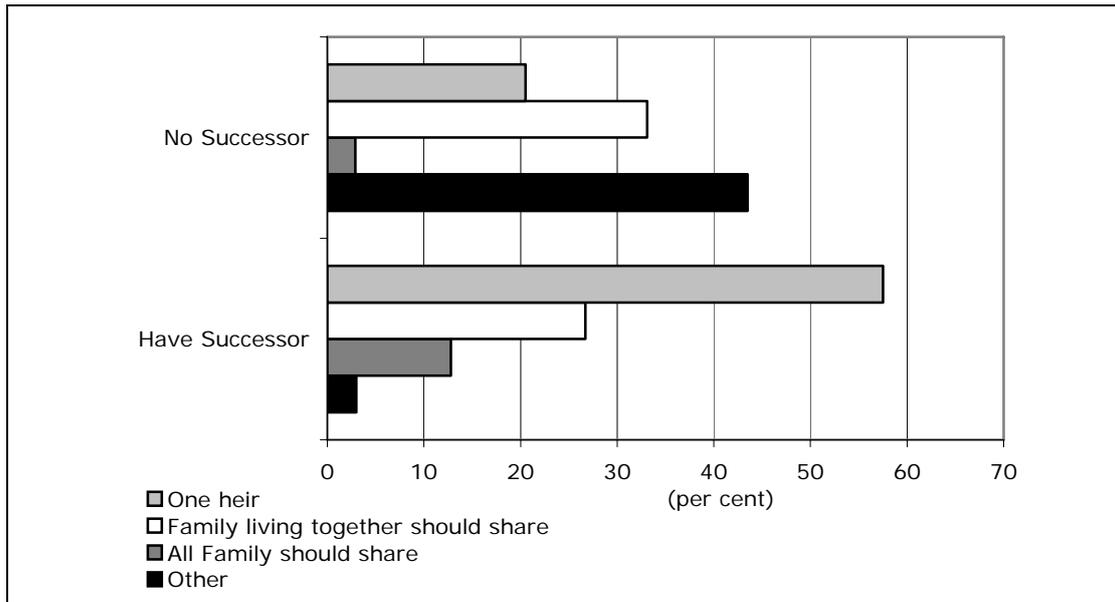


Figure 4.22: Succession ideology.

4.7.2 Ancestral land

Sixty-four per cent of respondents were working land that had been in their family or their spouse's family. Figure 4.23 displays the number of generations farms had been in families within the sample.

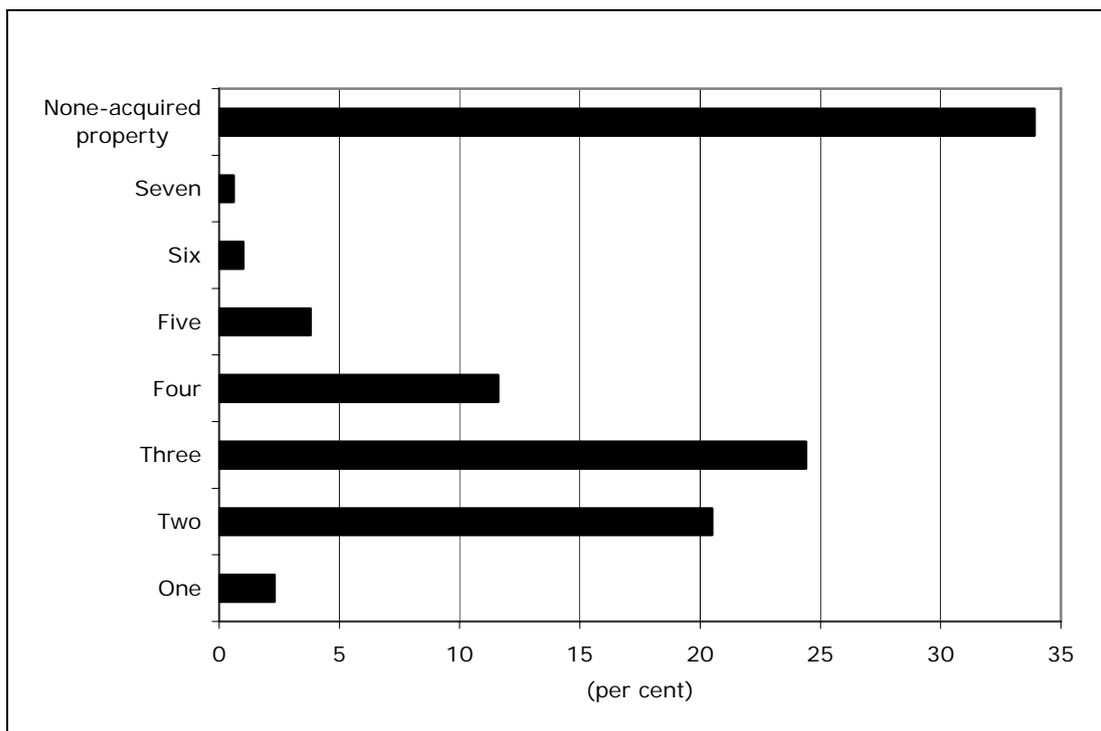


Figure 4.23: Number of generations on farm.

The most common length of time the property had been in the family was three generations. Only two per cent of farms in the sample had been held in a family for six or seven generations. This was an important factor in their succession planning. As one stated: 'I would like to see the farm stop as one unit because it has been in my family since 1865'.

The remaining 34% had purchased their property. One respondent offered this observation:

Most farmers think that 'the farm must go on'. It is easy to fairly distribute an amount of money equally, but very difficult to divide property fairly. If there are only one or two sons in family, it is much more likely for the farm to continue for at least another generation. In my case, I was able to purchase another farm for one son to run in partnership and eventually farm in his own right. After selling several blocks over a 10-year period, each of our four sons has been greatly helped to become established in their own field. Some older farmers hang on too long before handing management and economic decisions over to their adult children and often these leave to do other things. Not many family farms last more than three generations.

Of those who reported familial connection to their land, most were of English heritage (See Figure 4.24). One respondent noted the influence of tradition on farm succession:

An observation is that history tends to repeat itself. What happens in the previous generation's succession will most likely happen in this generation's succession. Children encouraged to return home to the farm straight after school tends to reduce their options, experiences and skills. That can have a huge bearing on succession issues

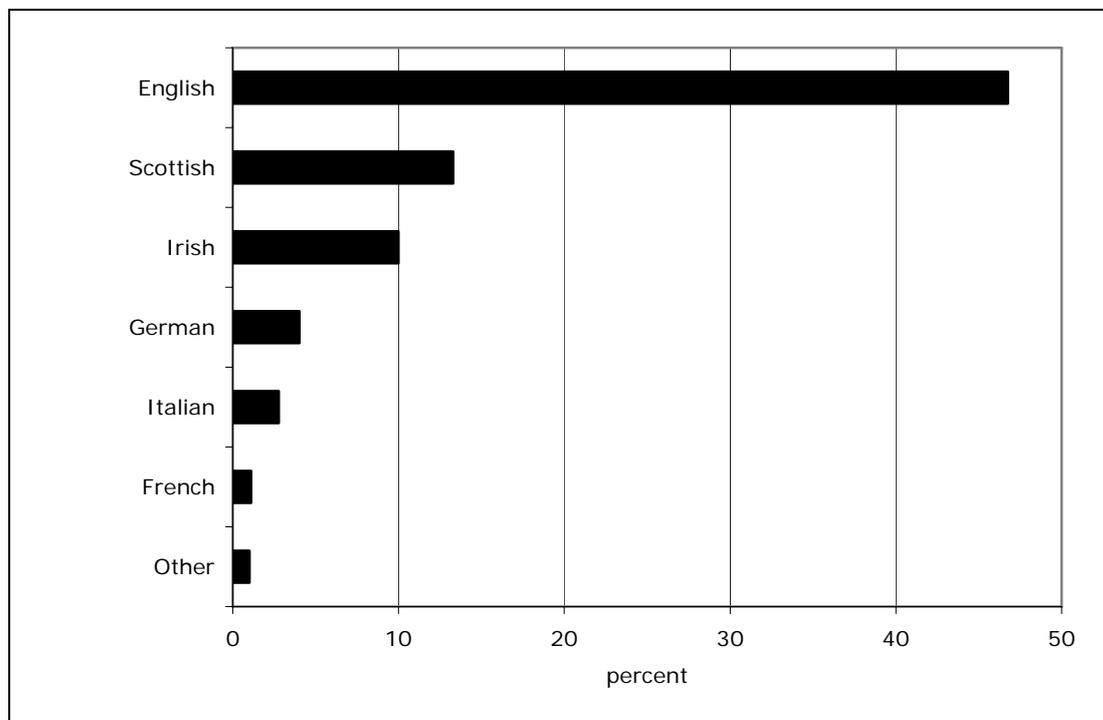


Figure 4.24: Cultural heritage.

An analysis of the influence of cultural heritage on attitudes towards succession and the appropriate way to divide a family property revealed no significant differences. However, there were trends evident in the data (see Figure 4.25). As Salamon (1984, 1985, 1987) found in her study of American farmers, respondents of German heritage did display a preference for ensuring all family members shared in inheritance.

However, within this Australian sample, those of German heritage were also equally in favour of a sole successor inheriting the family farm. Of interest is the 'other' category, which showed a clear preference for ensuring all family members have an equal share of the farm business. The 'other' category included Croatian, Prussian, French, Polish, Hungarian, Swiss, Welsh, African American, Basque, and Danish heritage. Further research could explore the influence of various non-western European cultures on farm succession amongst farm families in Australia.

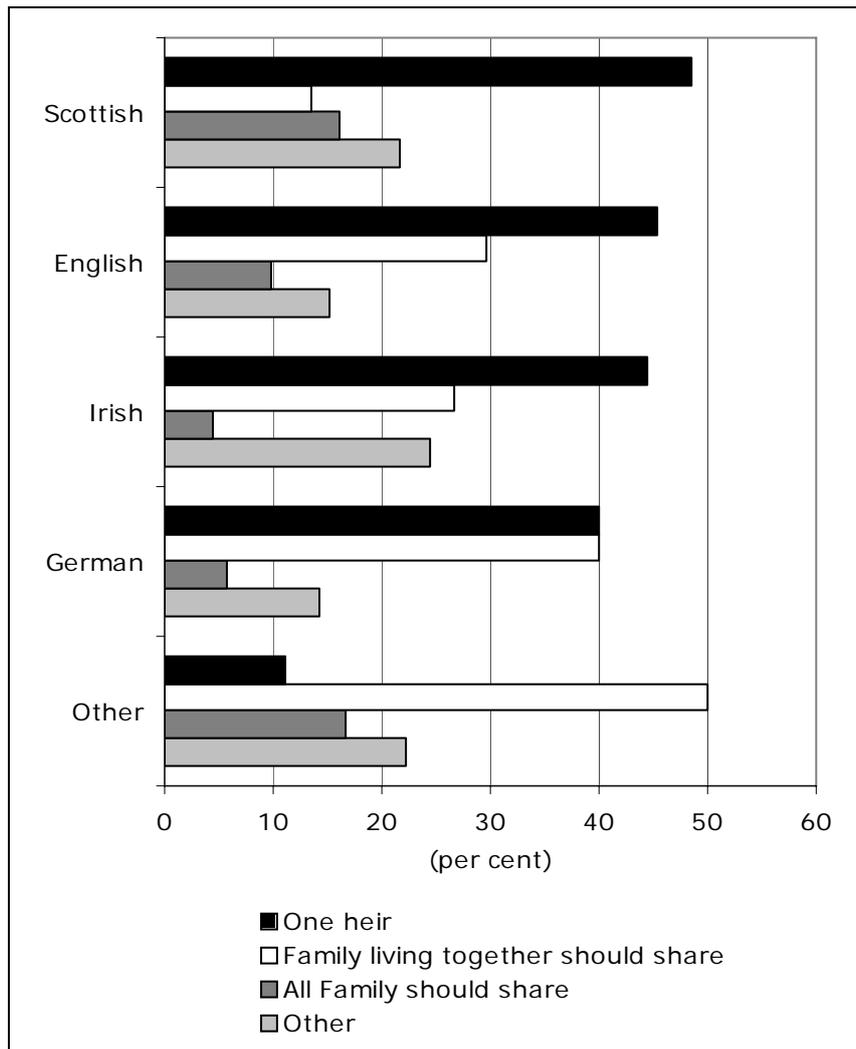


Figure 4.25: Attitudes to the division of property by cultural heritage.

4.7.3 The difficulty of succession

Many of the respondents noted the importance of succession as a critical factor in the farm business operation. One commented:

This issue is the most underrated impediment to business performance. From my experience, differences between generations and siblings can stall business development for a decade or more, until the issue is dealt with openly.

Another respondent wrote:

My wife and I are good operators, but have been severely compromised in our ability to survive when inter-generational transfer went horribly wrong 18 months ago.

Others noted the loss of skills from the industry as family farms are sold in preference to being passed on:

Farm income is way below what children can earn in other fields, so most farms will be sold in the future. Australia will lose an enormous amount of farming knowledge when people my age retire and sell.

Many of the respondents noted the difficulties they had experienced, or were currently experiencing with farm succession. For example, one woman wrote:

*My father-in-law cannot let go of his heritage on the property and will not let my husband take over or even buy him out over time because my husband's three other siblings might miss out on 'money' that they feel is rightfully theirs, even though they don't give a **** about the property or work on it!*

Another wrote:

Whatever happens to this farm - passed on or subdivided and sold off - the assets will be dealt with fairly and all the children informed of the proceedings step-by-step, unlike the hell we went through when purchasing this property from my family. There was so much dictation, back-biting, and tantrums from the other siblings that had no input in the running and maintenance of the property that it took two-and-a-half years of round-table stand-offs before we could purchase and start running the property our way (even then, there was another three years of interference before the property was burnt out by bushfire and we rebuilt from scratch).

As Crocket (2004) found, farmwomen were particularly concerned about these issues. One wrote:

I wish my husband were more willing to plan for it. He wants to leave in a box and intends staying here till he does!

Another stated:

Expectations are not set early enough for young people. They work for years, sometimes without knowing what their future holds and for little or no money. Then there is every chance that siblings will contest what some have worked bloody hard for. The members of my family have been custodians of this land for three generations. I purchased it for full market value. Sadly, I feel that family farms are a destructive institution, which, in many cases, leads to suicide by their very nature and the fact that emotional blackmail is used to get people to hold the land in some sort of future. I hope that the rest of the family won't contest the will when Mum and Dad die.

Several respondents noted the impact of divorce upon farm family partnerships and the succession process. One wrote:

In our area, farm inheritance is a hot issue. A number of properties have been sold up when marriages break up and the daughter-in-law is awarded half of a forth-generation family property. This has often meant that the parents delay passing over ownership to the working sons on the property. Consequently, middle-aged farmers are disgruntled, and rightly so, as they have no controlling powers: they are told by their aging parents, 'It's yours when I die'. This is not good enough. To make responsible decisions, the young farmer and his wife need to be in a control position. The antagonism is set up, as older parents control the purse strings until they die, is as likely to cause marriage breakdown as any other situation. Perhaps the courts could be more realistic in setting awards for disgruntled wives after the divorce. The high awards at present being set often break the farmer.

Another warned:

Problem arises when marriages of heirs break up. A percentage of property value has to be held by retirees to prevent forced sale, which could make a property unviable if half the value has to be found to pay out for divorce.

Another respondent expressed similar sentiments:

Nowadays, it seems more secure to hold the property longer to reduce the risk of losing it in a forced sale if the marriage-partnership should falter.

One suggested laws should be changed to account for family farm situations:

The Family Court is the greatest enemy of farm succession planning and can destroy whole families. Legislation is required to stop the Family Court interfering with other family members in a partnership who are not involved, but who are forced into intolerable situations by judges who are ill-equipped to understand farm family operations.

Another went so far as to suggest:

If you own land, etc, before you marry or de facto, your partner should not be entitled to any of it, including inheritance after you are married (unless you make a gift to them).

As a consequence, daughters in law were sometimes viewed with suspicion:

In my long life, I have seen too many properties handed over to sons with no ability to manage money, or married to stupid girls who bring the business to ruin. Then the farm is sold to pay debts and the rightful owners (the old parents) are left in rented accommodation, struggling on pensions. I made sure that didn't happen to either my farm or me. My sons turned out to be good managers, but I don't trust their wives.

Sixteen respondents commented on the difficulties of accessing a pension because of stringent asset tests, which in turn, impacted upon their succession plans.

Farm succession was made almost impossible in 2000-2001, with changes to the social security laws. I can see real problems emerging as a result of this. In the 1990s, family trusts were used to enable farms to be worked by younger people, while older people still owned the land for security. My father and mother own the land and cannot get a pension because of assets, are unwilling to pass the land on because of lack of security. What will happen with the next generation? There is not enough money in farming for me to buy the property and he has to have an income. I fear for when my son wants to come home. If the farm is passed onto too many, the only option really is to sell and realise assets, because it would be unviable to work. This is currently happening to many farms. Social security arrangements making passing farms down to sons very difficult for financial and security reasons (farmers are becoming older for this very reason).

I think the Government should make it easier to access aged pension and part-pension, taking into account the number of years a person has been self-employed after the age of 65. In my case, I have chosen to work another 16 years, up until now, have worked my guts out all my life in an effort to give my children a start. Owing to drought and poor commodity prices, my sons will have an uphill battle to pay my daughters out, which means my wife and I will be on poverty line without some pension assistance.

It is very hard under pension eligibility as I am asset-rich and not eligible for a pension. For financial security for my wife and self, it is very hard to transfer assets to son and still be guaranteed an income for the rest of my life.

Government taxes and regulations were also noted by several respondents as one of the main impediments to succession planning.

Having been almost left with nothing but the shirt on my back when my Dad died, despite him setting it up seemingly well, I think Governments should not impose fees/taxes on transfer of a farm to another family member, whatever the circumstances.

.... We feel capital gains tax for farm succession to be an unfair tax on the successor. As we have bought and paid for our farm, paid tax all our lives. Receive no pension, etc. It seems hard to think the Government will take so much in capital gains when we pass it on. This tax in this situation, along with the GST, makes it very hard on agricultural viability in future generations.

Several respondents recalled the difficulty in the past that death duties imposed upon farm families, both financially and as an impediment to the succession process. These respondents were most concerned that similar taxes may be introduced in the future. One wrote:

The biggest fear is that a Government - either State or Federal, or both - will reintroduce death duties. If this were to occur, it is very likely farming enterprises such as ours would have to be sold to pay such death duties.

There was recognition that succession is made difficult because of the current climate of agriculture. One respondent explained:

The average age of farmers is getting older. Consequently, most farmers need to work off-farm to survive. Increased costs and droughts are beating most farmers. In 1960s and 1970s, our farm supported three families; now, there is only us.

Others cited the low financial returns from farming as the main impact on succession planning:

Escalating land prices and low agricultural returns make it extremely hard for one family member to 'pay out' uninterested siblings. Increasing number of young people are not interested in farming due to low returns and long hours of work - easier to earn good incomes elsewhere. We set up a family trust to pass on to fifth generation with minimal encumbrances – we are not sure if this was right. Time will tell.

In particular, several farmers referred to the impact of several ongoing years of drought on succession:

At this point of our succession with four sons, a dairy farm milking 800 cows, having the worst drought in 100 years, we are in a situation that seems impossible. Firstly, we will take at least five years to get to where we were post-drought. We will all end up being disappointed with the situation.

Because of the difficulties, some farmers were planning not to plan:

At times, I think it is too hard. The children can fight over it after I am dead. I have put too much into farm to sell. I want my three sons to run it in partnership with contracting playing a major roll – clay-spreading, carting, contract seeding, etc.

Then there were success stories:

In a very complex problem, our parents have been lucky enough to have: (a) a large enough area to divide into viable areas; (b) only two sons, one who wanted to go straight onto the land, the other had other interests and the land; (c) adequate off-farm investments to support the parents and not a high level of debt; and (d) finally, an absolute belief that the sons must be masters of their own destinies without parental interference!

It was of interest to note that several respondents called for more information on succession and inheritance. A number of farm succession workshops have been conducted as part of the *Farm Biz Program* throughout Australia in the past few years. Furthermore, there have been a number of succession advisors that have set up practice. It is surprising that some respondents were not aware of these support services. Of those 317 respondents who were questioned about their participation in educational programs, only 23% reported that they had attended a farm succession workshop. However, one respondent offered some explanation:

This is a difficult area, because there is very little traditional encouragement to do some serious thinking about this area. We are usually just so busy getting through the day-to-day necessities (farmers in general) and there is a tradition of not talking about death. Also, a tradition of spending money on necessities means that unless seminars, etc, are free, you don't go, even then it's usually the wife who does go to anything like that.

4.8 Conclusion

In this chapter, the results of the analysis of the data gathered in the Farm Transfers Survey conducted with Australian farmers were presented. The most significant finding in this analysis has been the revelation that traditional beliefs about the ideal way to approach inheritance and succession are the strongest predictor of farm succession planning on Australian family farms. However, factors such as drought and financial pressure do mediate in these decisions. The influence of English traditions affects the attitudes and behaviours of Australian farmers. The results indicate that overall, the transfer of skills and responsibility for decisions on farms closely follow patterns on English farms. In the final chapter, these findings of the analysis will be reviewed and the implications of the findings will be discussed.

Chapter 5: Summary and Conclusions

5.1 Summary and discussion

The purpose of this study was to provide a comparison of Australian trends in career progression, farm succession and retirement with those in other countries participating in the Farm Transfers Study. Specifically, the project sought to examine and compare between various cultures the transfer of intangible assets of the farm business, such as managerial skills and specific farm knowledge between generations on the family farm.

The review of previous studies of farm succession and inheritance in Australia presented in Chapter 2 identified several consistent themes. First, most studies noted the difficulty and complexity of succession planning as farmers seek to meet three conflicting objectives: to maintain a viable farm business for the next generation, treat all of their children fairly and provide for their own retirement. If poorly planned, the succession process can cause considerable stress and damage family relationships. Second, it is evident that succession planning is strongly influenced by a rural ideology that imbues values of patriarchy and primogeniture. However, other factors within the Australian farming environment, such as drought and low commodity prices, government taxes and eligibility requirements for pensions, can also impact upon succession planning. Third, the difficulty in making these decisions often results in families avoiding the issue altogether. Frequently, succession planning is deferred until some critical life event occurs which forces the family to address the matter. Several studies maintained that the lack of communication between family members on these matters was the most fundamental obstacle to efficient transfer of the farm business.

The review of the studies conducted in other countries as part of the International Farm Transfers Study revealed that planning and discussion of the issues are influenced by the presence of a successor to the family farm and their current occupation. The international comparative research mainly focuses upon retirement of the older generation and the transfer of managerial control to successors to identify the main similarities and differences in practice amongst farm families across countries. While the process of handing over control is very similar across countries, the rate in which this occurs is much faster in some countries than it is others. The present study sought to compare Australian farm family practices with their overseas counterparts.

Data used for the Farm Transfers Study in Australia were drawn from 1180 responses to a mail survey of 5000 farm families across the country. The average age of respondents was 54 years, which reflects national statistics of the farming population. There were significant numbers of respondents who were still farming in their seventies and eighties.

The majority of the respondents had achieved a basic secondary education. Older farmers were more likely to have limited formal education. These results are similar to those found by Reeve (2000) in a nation-wide survey of Australian farmers. Tually (2001) notes that the number of farmers with tertiary qualifications is low in Australia because most farmers have learned their skills as an apprentice on family farms. The present study revealed that, comparatively, successors were better educated than their parents. Many farm families see farming as a low return business and are increasingly encouraging their children to gain tertiary qualifications in areas outside agriculture and then if the children choose, to come home to the family farm (Tually 2001; Crocket 2004). This perspective was reflected in several of the comments made by respondents in the present study, for example:

Given all our children have a degree and hold very good jobs with lots of chances to move on and up, you really wonder if and when you should ask them to come home. We are just making it clear that they will be welcome. Keep them aware of our situation.

Most respondents were full-time farmers with at least one family member working on the property. Most farm business structures were family partnerships or sole operations. These findings support

McAllister and Geno's (2004) observations that, despite some evidence of shifts from the family farm toward large corporate farms in Australia, most farm families are tending to remain within these types of traditional legal structures and employ only family labour. This is regardless of tax and liability advantages that the Government has offered for alternative legal structures, such as the company and the discretionary property trust as well as incentives for selling business asset (including land) for self funded retirement. McAllister and Geno (2004) did find (as did the present study) that younger farmers favoured partible inheritance even though they still believed in carrying on the family farm. Older farmers preferred sole proprietorships. The authors believe that passing the farm to the oldest male heir may become less popular as the current older generation of farmers passes away.

Most properties within the sample were in a sound financial position, which was a surprising finding considering the many years of drought and difficult economic times particularly in the eastern states. Nevertheless, many families are asset rich but cash poor, which impacts upon their retirement and succession plans.

5.1.1 Retirement

The survey first addressed the issue of retirement. Australian farmers' retirement plans were very similar to those of their counterparts in England. Nevertheless, more Australian farmers planned to semi-retire than farmers in other countries. There were no significant differences in retirement plans between owners of small, medium or large properties. Therefore, further research may be required to explore the reasons for semi-retirement in preference to full retirement amongst Australian farmers. The international comparisons revealed that farmers (including Australian farmers) who had identified a successor tend to prefer semi-retirement. Uchiyama et al. (2004) surmised that the presence of a successor allows the farmer to reduce his level of involvement.

Australian farmers on average, plan to retire or semi-retire at age 65, an age that is older than the planned retirement age of farmers in Canada, France and England. Interestingly Australian farmers who plan to retire at older ages (70 and over), on average, intend only to semi-retire. Farm size proved to be an indicator of planned retirement age. Older farmers on smaller farms may merely slow down their activity and operation rather than move into retirement. Foskey (2002) found Australian farmers tend not to consider retiring at a set age. Instead, planning for semi- or full retirement tends to be linked to deterioration in physical capacity. Consequently, withdrawal from farming as an occupation can be delayed until ill health forces the decision. On the other hand, one fifth of the respondents reported they intended to retire or semi-retire at an age younger than 55 years. A greater number of these farmers were on smaller farms. There is a need for a closer investigation of the various factors that impact upon these retirement decisions.

Half of the respondents planned to move from their current home when they retired or semi-retired. Most of these planned to move into town. This is a common strategy for the older generation in full or semi-retirement as it allows them to remain close to the property, be available if needed at busy times and continue to take an interest in the progress of the farming operation. The success of this transition off the farm is dependent upon the family circumstances and the personalities and health of those involved. The younger generation may be grateful for the assistance of the older generation at busy periods on the farm, or alternatively, they may consider the ongoing presence of the older generation to be interference (Foskey 2002). Other respondents expected to move to a smaller property or hobby farm upon retirement. Such a move enables the older generation to reduce the workload but maintain the lifestyle that they enjoy. These farmers are also more independent of the family farm that is now operated by the younger generation. Other farmers envisaged moving to the coast. This is a phenomenon that is characteristic of Australian society as the coastal regions, particularly the north coast of New South Wales and southern coastline of Queensland, are popular destinations for life in retirement (Hugo 1998; Foskey 2002). The survey also included the alternative of moving in with relatives. None of the Australian respondents would choose this option. This may be more pertinent to farmers within other cultures. The majority of farmers were contributing to a private superannuation or retirement fund. Thus most farmers are somewhat prepared to support themselves in retirement irrespective of their succession plans.

While the majority of respondents had a will or estate plan, it is a concern that 86 respondents have no plans in place. However, this proportion is likely to be no different from those in other industries who do not have wills.

In comparison with other countries, Australian farmers' planned sources of retirement income are fairly evenly spread across a range of options. A slightly greater number of respondents planned to support themselves in retirement through the sale of farmland and other farm assets. This finding may be a function of the larger number of smaller farms within the sample or it may reflect a trend amongst some Australian farmers who view farmland as superannuation. As much of Australia's best farmland lies in the high population growth areas along the coast, selling land for a comfortable retirement is an attractive option for asset rich cash poor farmers (McAllister and Geno 2004). This finding may also support Voyce's (1996) conjecture that increasing numbers of farmers are taking a business approach to farming where farmland is merely a commodity that can be bought and sold.

Several respondents noted that they would like to be able to access the pension in retirement to allow them to live independently from the family farm, but their legal involvement in the farm business renders them ineligible according to requirements for asset tests. These farmers are not keen to transfer ownership of all that they have established for complete dependence on the pension. Security was an important consideration.

The study also explored the extent to which respondents had discussed their retirement plans with family or sought professional advice. Previous studies (Gamble et al. 1995; Kaine et al. 1997; Crocket 2004; Gamble and Blunden 2004) have noted the difficulties farm families have in broaching such issues with family members. Kaine et al. (1997) found many farmers prefer to seek advice from accountants or solicitors rather than family members. The present study found that most respondents had talked to their spouse or partner, but less than half had discussed their retirement plans with other members of their family. On average, the older generation in these families are in their mid fifties and the children are in their thirties and may have been working for at least ten years on the family farm. However, compared with other countries, with the exception of Virginia, there is generally more discussion relating to succession and inheritance issues within Australian farm families. As in other countries, Australian farmers were more likely to have held family discussions if they had chosen a successor. This is a logical finding. However, more Australian farmers discuss their plans with accountants than do their overseas counterparts. Twelve per cent of Australian respondents had not discussed these issues with anyone although this was a low proportion in comparison with farmers in other countries.

When asked what they would miss about farming when they retired, values of independence, hard work and purpose in life were reflected in many of the respondents' comments. Such values are traditionally associated with farming (Crocket 2004). Nevertheless, the hard physical demands of farming and the difficulties imposed by drought and financial stress were aspects of farming that respondents reported they would be pleased to leave behind when they retired. Of interest was the number of respondents who referred to the 'responsibility' of the farm that was sometimes overwhelming.

5.1.2 Succession

The study next examined farmers' experiences in planning for succession and inheritance. Across the whole sample, just over half had identified a successor for their farm business. These successors were most likely to be a son. Few were daughters. Together with comments provided by several respondents, this finding indicates that patriarchy persists with Australian farm families. Although there have been social changes that have seen farm women increasingly take a more equal role in farm management, it is evident through these findings that women are primarily seen as dependents, either as a wife or daughter, and most are excluded from inheritance of land. Daughters are provided with a good education as compensation. Most respondents noted daughters would inherit money or non-farm assets. However, there was one respondent who commented: 'More and more females are taking on the family farm and should be encouraged from all areas. Our girls are great'.

The *Missed Opportunities Project* (Elix et al. 1998) found that women represent 32% of Australia's farm workforce. Considering the value of women's on-farm contribution, their off-farm wage income and the value of household, volunteer and community work, women contribute 48% of the total real farm income, worth in 1995-96 almost \$14 billion. Yet, the present study has confirmed previous research that demonstrates that women are rarely considered in farm succession planning.

Farmers tend not to consider succession before the age of fifty. Patterns in the relationship between age and identification of a successor were similar to patterns amongst English and Canadian farmers. However, farmers in Australia have chosen a successor at a younger age in comparison to other countries. Farm size was a factor in these decisions as farmers on smaller farms were less likely to have nominated a successor. As Uchiyama et al. (2004) note, it is difficult to determine whether larger farms are more likely to have a successor in place or whether farmers who partner with a successor become larger. That is, whether it is the succession effect or the successor effect (Potter and Lobley 1996). However, in Australia, properties greater than 50 000 hectares were also less likely to have a successor. This is possibly because many large outback properties tend to be run as companies rather than simple family farm business structures.

The Farm Transfers Study is also interested in the degree to which successors take a *direct route* where they become involved in farming when they leave school or a *diversion route*, where they take up off-farm employment and return to the family farm at a later stage. In Australia, as in Canada and England, successors were most likely taking a *direct route* working alongside the older generation on the family farm. As found in most other countries, farm size clearly impacts upon successors' options. Successors on smaller farms were more likely to be working off-farm.

5.1.3 Delegation of managerial responsibilities

One of the main focuses of the International Farm Transfers Project was to determine the extent to which successors are involved in the management of the family farm. On Australian farms, as is the case on farms in all other countries within the study, financial decisions are the last responsibility transferred to the younger generation. The major differences were that successors on Australian farms were less likely to have control over decisions regarding the long term balance and type of enterprises on farm or decisions regarding the purchase machinery or equipment. This may possibly be due to the larger size of operations in Australia and the size and cost of machinery required. Across all tasks, Australian farmers, while considerably more generous than their counterparts in Iowa, are less generous than farmers in Canada and France. As Errington and Lobley (2002) note there may be a variety of policy, economic and social reasons for these differences that need more extensive investigation. However, like English farmers, Australian farmers are more likely than those in the other countries to rely on farm income in retirement and consequently have an interest in protecting their pension by maintaining managerial control (Errington and Lobley 2002)

The final stage of the analysis assessed patterns in succession as defined by Errington (1998) according to the degree of partnership between the older and younger generation in managing the family property. Of particular interest was the *farmer's boy* situation (Errington 1998), where the successor works on the family farm for many years but is allowed few responsibilities. Successors in this position have little opportunity to develop managerial skills required to effectively manage a farm business. This situation has been found to be more common in England than in other countries (Errington and Lobley 2002). There were a relatively small proportion of Australian successors that were in this category (5.3%). The other option was the *separate enterprise* where successors were working on the farm but held full responsibility for a particular enterprise within the farm business; in most cases these were cropping or livestock enterprises. Others (24%) were in the best position of having a full partnership with the older generation. Most of this group also held full responsibility for a separate enterprise within the farm business. Although most successors were working on the family farm, more Australian successors were taking a *professional detour*, either running a non-farm business, employed on another farm or working in off-farm employment than successors in other countries (with the exception of successors in Iowa). Twelve per cent had a *standby holding*, where they were running their own property. This percentage was greater than other countries with the exception of Iowa.

5.1.4 Factors impacting upon succession

One of the major findings of the study was that rural ideology was the most significant predictor of farmers identifying a successor. This finding was irrespective of age or education of the respondents. Farmers who desired to retain the family farm as a whole unit and pass it onto one heir were more likely to have chosen a successor. Other predictors were the larger property size and the greater length of time the farm family had been operating the property and whether or not the respondents planned to retire or semi-retire. However, the greater number of respondents believed that a farm should be transferred to a single successor to maintain a whole, viable farm business. These respondents were more likely to have already selected a successor. Others believed attempting to be fair to all children can create problems for a successor.

Other respondents believed all children should inherit equally. Some reported they would sell the property in order that all their children would receive an equal share in the inheritance. The farmers in the best position had a property set aside for each child and sufficient assets to support their retirement. Others who found the decisions too difficult had decided to let their children work it out for themselves after they had gone. Some intended to sell the family property because there was no successor or because their children were not interested in farming or because they needed funds to support their retirement.

Two-thirds of the respondents were farming land that had been in their family or their spouse's family for several generations. Most farms were in the family for at least three generations while a few had been held in a family for six or seven generations. These respondents commented with pride on the length of time their property had been in their family. The remaining third had purchased their property and had no family connection to the land. These findings confirm Nalson and Craig's (1987) statement that despite common perceptions of rural Australia, generations of farm families on particular tracts of land is far from the norm. However, what is passed on to the younger generation is the attachment to the occupation of farming.

Those who reported a long history of familial connection to their land were mostly of English heritage. While there was no relationship found between cultural heritages on attitudes towards succession and inheritance, trends evident in the data suggest that respondents of German heritage do prefer that all family members share in inheritance. This finding is similar to Salamon's (1984, 1985, 1987) findings in studies of German/American farmers. It was interesting to note that a group of respondents who were descendents from a diverse range of ethnic backgrounds, such as Russian, Hungarian and Basque, displayed a clear preference for ensuring all family members have an equal share of the farm business. This finding suggests that further research on farm succession, amid the growing diversity in ethnicity within Australian family farms, might be of interest.

The study also identified several other factors that impact upon farmers' plans for succession and inheritance. These included the possibility of divorce within the family and the subsequent loss of all or part of the family farm in family court settlements, the impact of assets and income tests on eligibility for pensions and the impact of government taxes, the financial pressure caused by escalating costs, and the persistent drought. The need to preserve the viability of a farm business was an important factor determining farmer's decisions to sell or pass the farm on.

Several respondents commented that succession planning was an extremely difficult and complex process for everyone involved. Several respondents called for more information on succession and inheritance despite the fact that farm succession workshops have been conducted throughout Australia in the past few years as part of the *Farm Biz Program*, and there are professional farm succession advisors in practice. Of those 317 respondents who were questioned about their participation in educational programs, only 23% reported that they had attended a farm succession workshop.

5.2 Implications

One consistent theme permeating these findings is the persistence and fervent adherence to a rural ideology that strongly influences farm succession planning within Australian farm families. This ideology, which upholds values of patriarchy and primogeniture, was reflected in many of the written comments provided by respondents. This is not a new finding. The role of agrarian ideology in family farming has often been the subject of previous research (for example; Gray 1991; Craig and Phillips 1983). However, there is also evidence of social change in rural Australia with changing roles for women, more children taking up tertiary education and greater diversity in farm business structures. While the present study found evidence of these social changes, it also found that traditional norms and values still have a disproportionate influence on farm families' decisions regarding the management of the farm business. It appears therefore, that succession and inheritance are likely to remain difficult and complex processes for many.

Most respondents believed that passing the farm onto a sole heir was the best way to maintain the farm within the family. These findings support Goodmand and Redclift's (1981) conjecture that primogeniture has been the dominant pattern of inheritance since European settlement in Australia. These practices are supported by an *absolutist* concept of land ownership, which implies that everything has an owner and every owner has total control over the things he or she owns (Reeve, 2002). This is accompanied by a belief in the family farm as the appropriate production unit, the legitimacy of family ownership by application of their labour, and in farmers being the backbone of the country's economy and society (Berry 1990, cited in McAllister and Geno 2004). Therefore, norms and laws regarding inheritance are a public and social response to private property rights. While Voyce (1994) maintains that more Australian farmers are taking a business approach to farming and land ownership, the present study suggests that traditional values are pervasive within rural Australia. Salamon (1984, 1985 and 1987) claims that a family's perception of its relationship to land has profound influences on its operational style.

Tually (2001) maintains that the average farm family cannot expect to be able to pass on a viable farm unit to one child who works on the farm (usually a son) and at the same time leave assets equally to other children. Often the son who takes over the farm is required to pay out siblings their share of inheritance over some agreed period of time. This is in effect a practice of buying the farm each generation. Furthermore, farmers are handing on a business that in reality would have an equity potential of 40 to 60% and expecting the child to succeed (Tually 2001).

When siblings are not happy with their inheritance share and initiate legal action, often the farm is sold to provide the cash to pay out all claimants, which can destroy families. Tually (2001) argues that these practices ignore opportunities to extend the family farm business so that all siblings can gain and build upon what their parents have established. As the average family farm has assets worth \$1.5 million, this is a significant base to grow a farm business and provide opportunities for all with inheritance rights. There is a need for farmers to participate more in succession planning educational programs to discover these opportunities.

The study also revealed that family partnerships or sole proprietorships are the primary types of farm family legal structures within Australia. These findings do not support Black and Tont's (2002) and Burch et al. (1996) findings that agriculture is experiencing a gradual shift away from traditional family farming towards farm business structures that are more corporate. McAllister and Geno (2004) suggest that traditional legal structures of property ownership are used by farmers as legitimate means of protecting values pertaining to property, family and inheritance. However, the authors did find that younger farmers favoured the newer forms of business structure. There were similar findings in the present study. Thus younger farmers may be questioning the relevance of traditional legal structures and the future may see farmland being sold in retirement or alternatively succession and inheritance managed through family trusts or company structures. As Tually, (2001) notes, these alternatives allow children to be included in legal ownership structures that do not necessarily involve ownership of the land. By separating the business from the land, parents keep the land in their name and children can buy into the business only or a "separate enterprise" within the business. Family trusts and company structures allow children to develop their own inheritance and business skills and provides

for those members who withdraw by selling out to other family members and for parents who wish to retire or semi retire to retain a source of income. Alternatively, a company structure would allow children to use the family farm as a base to start their own farm business. While parents would be major shareholders until they gift or sell their shares when the time is right, children learn to use legal ownership structures rather than be restrained by them (Tually 2001).

The study also found that only a few farms had been in the family longer than three generations and that the majority of respondents had purchased the land they farmed. Thus, while the ideals persist, in reality it is not the case. As several respondents called for more information on farm succession, the findings suggest that the Government persist with and promote farm succession education programs to further encourage the movement away from traditional inheritance norms and practices.

The study found that rural ideology also impacts upon attitudes towards retirement. The status of farming as an occupation where individualism, hard work and utilitarianism are highly valued means that retirement is not well regarded. Often retirement is forced upon farmers by ill health (Foskey 2002). The present study found that most Australian farmers prefer semi-retirement. Most intended to move to town, which allows for continued involvement at various levels in the farm business.

It was evident in the respondent's comments that factors of viability and low farm incomes mediate in the relationship between ideology and succession planning. The past two decades of drought and low commodity prices has seen a downward trend in real incomes of farmers (Gray and Lawrence 2001). As a result, many farmers are placed under continuous pressure to 'adjust'. Traditional responses have included a strategy of belt tightening, which involves a reduction of farm labour and more family participation in farm work, income supplementation with off-farm income, and reductions in non-essential farm business expenditures and household spending (Stayner and Barclay 2002). Thus while the majority of respondents had a good debt/asset ratio, those who are asset rich and cash poor face obstacles in succession and inheritance planning. This is reflected in the trend for the older generation to insist that the younger generation receives a good education to give them options in career choice. While they cling to ideals of passing the farm within the family, reality has led farmers to seek other alternatives for their children.

With depressed land values there are few purchasers and farmers wishing to retire can become locked into place. Unlike any other business, closing down a farm is not an option (Barr et al. 2000). In comparison with other countries, Australian farmers' planned sources of retirement income are fairly evenly spread across a range of options although a slightly greater number of respondents planned to support themselves in retirement through the sale of farm land and other farm assets. However, some of these farmers may not be able to realise this goal if they are unable to sell.

Several respondents reported that they would prefer to support themselves in retirement through the age pension but their legal involvement in the farm business renders them ineligible. These farmers are not keen to transfer ownership of their land and forgo security in their declining years and be entirely dependent upon the pension. In 1997, the Government released the Agriculture Advancing Australian policy, which included a special divestment provision for retiring farmers to transfer the legal title of the family farm to a younger generation without affecting their eligibility for the Age Pension. The scheme is open to farmers, or farming partners, who have equity, or combined equity, of up to \$500,000. The scheme does have the potential to relieve farm families' concerns about support of older generations in retirement. However, with the high costs of land, infrastructure and equipment, \$500,000 is a relatively low amount of equity, considering that the average family farm is worth \$1.5 million. It is recommended that the government review this limit and eligibility requirements and assess the numbers of farmers who may be unable to retire because of their situation.

The influence of Anglo-Saxon traditions towards farming was also reflected in the many similarities between Australian farmers and their English counterparts in attitudes and patterns in transfer of managerial responsibility to successors, which occurred at a much slower rate than in other countries. However, this slower progression of succession may also be a consequence of more retiring farmers depending upon the farm as income in retirement. In such circumstances, the older generation may never relinquish legal control often retaining ownership of the land until death and therefore

maintaining a measure of control over the farm business. This will impact upon the succession process and the rate of transfer of managerial control to successors.

As previous studies of farm succession in Australia have found, the present study revealed that issues surrounding retirement, succession and inheritance tend not to be discussed with family members. While it cannot be concluded that all these families will face difficulties managing the succession process, the lack of communication increases the likelihood that problems will arise as plans are made on the basis of misunderstandings and mistaken expectations. In addition, the longer discussions are delayed, the fewer options and opportunities are available for the family to take remedial action (Kaine et al. 1997). However, the fact that so many respondents were concerned about farm viability suggests that family discussions may be hampered by the current economic climate in rural Australia. Discussions may be delayed until prospects look more promising. Many respondents were concerned about passing the farm on when children could earn significantly more in non-farming occupations.

The study revealed that fear of divorce within the farm family compounds and confounds farm succession planning. It is likely that these fears are encouraged by rural ideology. While property settlement can be difficult and traumatic in any family, divorce within farm families can result in the sale of farmland that has been held for several generations within a family, and the subsequent loss of a lifestyle, livelihood and a future in agriculture for several individuals and family units involved in a family farm partnership. Nevertheless, individual partners in a family farm are legally entitled to a fair and equal property settlement in the event of dissolution of that partnership. The past two to three decades has witnessed a substantial change in the nature of the traditional family in Australia including an increasing tendency for couples to live together before marrying, the later ages at which people marry and have children, and the increasing participation of married women in the workforce. Farm families have also been affected by these social changes. As noted above, more women have become actively involved in the management and practice of farming. Some make a significant contribution to sustaining economically stressed farm budgets through participation in off-farm work. Stayner and Barclay (2002) found various counsellors in rural areas were seeing an increasing number of farm women who experience conflict in living up to the traditional expectations of a woman's role within the farm family. At the same time, adjustment measures resulting from drought and low farming incomes have placed considerable stress upon farm families. Together these pressures have led to an increase in marriage and family breakdown. Again, the promotion and availability of farm succession educational programs to encourage farmers to explore better ways to set up family businesses to safeguard individuals as well as the family farm in the event of family breakdown is vitally important.

5.3 Further research

Several ideas have emerged through the course of conducting this study for further research on the process of retirement, succession and inheritance within Australian farm families. First, the reasons why Australian farmers prefer semi-retirement should be more closely examined. There is also a need to explore the reasons why those on smaller farms intend retiring at an age less than 55 years and to better understand the career pathways of this group. It would also be of interest to explore the types of legal structures used by this group. Black and Tont (2002) noted that in many regions highly innovative and productive hobby farms or “micro farms” are making an important contribution to Australian agriculture in timber, wine grapes, fruit, alpacas and organic produce. However, little is known about their financial and management structures or their relative contribution to local and regional economies. Further research on succession planning within farm families in Australia from a diverse range of ethnic backgrounds, such as Russian, Hungarian and Basque, who display a preference for partible inheritance, would be worthwhile.

The international comparisons revealed that the process of handing responsibility to the younger generation in Australia is very similar to the process in other countries. However, the rate of transfer is relatively slower. There is a need for further research to identify the determinants of the rate of transfer of responsibility to successive generations. In particular, there is a need to assess how much of the rate of transfer is defined by rural ideology and the desire for the older generation to maintain control and how much is due to the nature of the environment of farming in Australia. For example, to what extent do larger property sizes, higher costs of machinery, equipment and production costs and drought impact upon the transfer process?

More research on the types of legal structures amongst farm families is required to tease out the reasoning behind these choices and the relationship to succession and inheritance plans. There is also a need for further research on the implications of divorce on farm families and in particular upon their plans for succession and inheritance and retirement to provide important information for the benefit of counsellors and the financial and legal professions who deal with these issues. A better understanding of the needs of farm families facing divorce will assist policy makers and communities to meet the support needs of this group.

5.4 Conclusions

The Farm Transfers Study of Australian farmers revealed that a rural ideology, which largely emanates from predominantly Anglo Saxon traditional approaches to succession and inheritance significantly impacts upon farmers’ attitudes and values and consequently the way in which they approach retirement, succession and inheritance. However, the study also found that younger farmers are questioning these traditional approaches, as economic and social changes in recent times have revealed the unsustainability of current practices. Therefore, there is opportunity for change. However, future policies and programs relating succession and inheritance must take into account the pervasiveness of rural ideology and work within this structure towards change. It is recommended that the Government continue to support and further promote farm succession educational programs for farmers to assist this movement away from traditional inheritance practices and encourage discussion between farmers and within farm families on these issues. The study also recommends that current policy regarding assets tests for the aged pension be reviewed to assist those farmers wishing to retire who may be legitimately trapped by their financial and legal situation.

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