

KEEP THE FAMILY AND FARM TOGETHER

BY

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For most farmers it's a life's dream to one day hand over the farming business to their children. In a lighter vein, this could be seen as a type of child abuse. But the reality is that transferring a farm from father to son – or from any family member to another – is a process in which much planning, management decision-making and communication must take place.

The reason for this is that the transfer of a farm can't take place overnight. There are different aspects that must be identified and addressed long before the planned date of transfer to ensure that both parents and children are satisfied with the arrangements.

Businesses normally advertise for vacant posts. Farmers don't really advertise for a successor. But if they did, the advert might read as follows:

No specific skills required. Will be under constant supervision of the owner. Won't be allowed to take important decisions. No leave for the first five years. Free vehicle, housing and food. The rest of remuneration not really relevant.

The most honest farmers will acknowledge that this more or less is the job description under which they are bound to the farm, and with which they likewise will bind their sons to the farm. This is far from ideal. No wonder many sons become frustrated, because they don't know precisely what their duties are. Many dads, in turn, become irritated because their sons can't work out for themselves what they have to do on the farm. Perhaps many misunderstandings would be removed if the advert read as follows:

Assistant farm manager required. Responsible for learning management skills and developing a family business. With the owner, must focus on grain production and the financial responsibilities that go with it. Must also make a contribution to the overall activities of the farm through research into and implementation of new production strategies and marketing opportunities. Must know how to interpret farm records and financial information. Will be involved in the scheduling and completion of all daily farm activities. The remuneration is market related and the working conditions pleasant.

Factors influencing the handover

The ideal handover is one in which the responsibilities are gradually transferred from father to son. First the son works for the father, then together with his father, until eventually the father works for his son. There are a number of factors that influence the timespan and scope of this management transfer. In a recent UK study by MR Hastings, a specific pattern of farm-management transfer could be identified. This pattern closely matched the findings of a similar study done in 1991 by Errington and Tranter.

The most important aspect of management handover is the age of the father. After that comes the father's perception of his son's management ability. Less important is the size of the farming operation, and then the value the father places on staying in charge. The mother also plays a role in the process. Most older-generation farmers have no desire to take life a little easier. Only old age, injury, poor health or pressure from his wife to retire will persuade the farmer to scale down his involvement and give more control to his son. Early retirement from active employment, as often happens in the business world, is rare among farmers.

Developing skills

Many farmers place a high value in the need to develop their sons' business skills. A farmer usually believes it's a long and gradual process. Only when he's convinced that the son will take the same management decisions as himself will he believe the son's management ability is fully developed. So the only standards to which the son can aspire are those of his father, not his own. Hastings's study found that on larger farms it's easier to transfer specific management areas to sons earlier, as there are enough management positions to fill. The father simply can't deal with everything, so is more disposed to delegate certain decision-making powers to his son. In smaller farming operations the father is usually more able to cope with all activities.

Some fathers find it difficult to understand that someone else can manage the farm just as well as them. So they cling to control simply for their own satisfaction, or interfere with their sons' decisions and activities without good reason.

The mother won't usually interfere, until the point where she feels her husband's health is beginning to suffer from the pressures of the farm. A wife and mother is a good negotiator, helping to bring the opinions of father and son closer together. In fact, the mother plays an important role in making the handover process that much smoother.

The pattern of management handover

In normal circumstances the transfer of management will be gradual, unless the son displays a specific talent or affinity for some of the management functions. In some cases the son could insist on certain management functions, or manage his own farm. But the general rule is that the father gradually hands over more and more responsibility to his son, with the cheque book being the very last function the son takes over.

The table below contains a list of the management decisions that need to be made during the process of management transfer. Next to each function there is a value. When the father alone takes the decision, one point is assigned to that function. When the son takes that decision independently, 11 points are awarded. Decisions taken jointly by both father and son earn five points.

WHO DECIDES?

	<i>Activity/Decision</i>	<i>Score</i>	
PHASE 4	1	Decide when to pay accounts	2.6
	2	Control loans and finance	3.3
	3	Negotiate sales of crops or livestock	3.3
	4	Decide when crops or livestock must be bought	3.6
PHASE 3	5	Decide on the appointment of additional staff	4.9
	6	Set up annual crop or livestock programme	4.9
	7	Decide on types of enterprises	4.9
	8	Recruit and select staff	5.1
PHASE 2	9	Plan capital projects	5.2
	10	Negotiate the purchase of machinery and equipment	5.3
	11	Decide when projects must take place	5.5
	12	Decide on the quality and quantity of work to be done	5.7
	13	Decide on the quantity and type of herbicide and pesticide to be applied	5.8
PHASE 1	14	Plan daily activities	6.2
	15	Supervise staff during work	6.6
	16	Decide on work methods	6.6
	17	Decide on the type and make of machinery to be used	6.7

Progress from one phase to the next isn't orderly planned. There are often exceptions to the rule, each the result of the unique conditions of a specific farm.

Phase 1

Activities in the first phase (14 to 17) are those in which the son is likely to become involved the soonest. The father will still maintain overall supervision of the son's decisions, but will allow enough space for the son to take these decisions on his own.

Phase 2

In terms of the activities in the second phase (9 to 13), sons who have worked on the farm for a while are more likely to be allowed by their fathers to become involved in new developments planned for the farm. Although the son still won't take the final decisions, his opinion will to a large extent be valuable to the father.

Phase 3

The third phase includes activities 5 to 8. During this phase the son can handle more involved decisions on his own. The most important areas of this centre around staff appointments and longer term planning of farm expansions.

Phase 4

The last phase largely involves the farming enterprise's finances. It will determine whether the cheque book becomes the last bastion of the father's status and control of the farm. This doesn't necessarily mean that the father doesn't trust his son. Often the father, who is more involved in the office work while the son takes over the physical side of the farm, is more experienced in paying accounts. This can leave the son unprepared if he suddenly has to take over this function when his father is no longer around.

The more the decision is taken by the father, the lower the points. Higher points are given to more decision-making by the son. The average score from a group of 25 fathers and 36 sons is shown in the table.

A good working relationship

It takes years and a lot of emotion to fix a relationship that started off badly. A few hours at the beginning can ensure a harmonious relationship and successful handover. To ensure a good working relationship, these guidelines can be followed:

- Separate business affairs from family affairs. Ensure that every party – the owner and the heir – knows what he wants to get out of the succession, not just in the immediate future but also in the long term. Forget that it's family members negotiating with each other and view it as a business transaction. Clearly address the terms and conditions of service, the remuneration package and the decision-making authority. Remember, you're negotiating with the probable future owner of the farm.
- Ensure that all involved parties acknowledge and understand the different needs of each generation. The older generation wants financial security while the younger will possibly want to expand and modernise the farming business in a changing world.
- Ensure that the discussions clearly spell out what decisions must be taken and who must carry out what mandates. In other words, what decision-making powers each party has in the immediate future and how these powers will be transferred from father to son over the medium term.
- If an oral agreement is reached it must be put in writing and a time schedule assigned to its execution. It doesn't necessarily have to be a complicated legal document, but it must at least be a something that can be understood and put into effect by an independent outsider.
- Develop a set of rules according to which conflict and disputes can be handled. It's a given that the farmer and his successor will sometimes differ over certain things, so a mechanism must be put in place to resolve differences in an orderly way.

These five points are the minimum requirements necessary to safeguard the relationship between owner and heir. It takes time and self-discipline to come to such an agreement, but its fruits are great. If in the process it brings a few unpleasant things to the surface, so much the better. It's still preferable to resolve differences in controlled circumstances than to leave them until they reach the point of uncontrolled explosion.

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Oktober 2004