

# Future-proofing your family farming business

Future-proofing your family farming business is complicated, very important and requires good planning and professional advice. Every family has different needs, values and goals and every farming business has different land, equity structures and farming operations.

Future-proofing is about recognising that farming businesses operate in a family context and protecting both family relationships and the viability of farming businesses.

### Goals/Complexity

Financial and emotional security for farming parents must be the primary goal of any structure for transitioning a farming business to the next generation.

Farming parents need freedom to enjoy life during and after farming. This includes ensuring their own financial security and good personal and business relationships with succeeding children.

Succeeding children need a flexible and resilient structure that allows them to buy into the farming business.

Where there are non-farming children, part of the complexity involves ensuring that these children are also treated fairly. Funds may be required for education, purchasing a home, or providing for children who need special care.

### Risks/Importance

As with any family business, farming businesses are exposed to both personal and business risks.

Personal risks can include sibling rivalries and different cultures brought into the business by a succeeding child's partner. Premature death or relationship break-ups can have serious consequences for the business as well as the family if assets are not protected.

To successfully transition a family farming business to the next generation, the business must be sufficiently profitable to support more than one family and be able to cope with change from external factors like volatile export prices and drought, and internal factors like finding the right people to manage and work the farm.



**Marie Callander and Jeremy Hucker (Associates at Auld Brewer Mazengarb & McEwen) specialise in governance, trusts and business structures for family businesses. They are lawyers with family roots in farming who can help you to future-proof your family farming business.**

### Planning

Future-proofing and transitioning a farming business to the next generation begins with the farming parents taking time to think about and discuss what they want and need for the future. When they are clear about what they want that vision can be shared with the succeeding children and the wider family. This sometimes difficult task can be made easier if a trusted professional is available to facilitate the discussion.

Sitting around a table with a team of competent advisors who can consider the goals that the family has set and work together to create a structure to achieve those goals is the most cost-effective way to implement the vision. The core of that team needs to include an accountant, a lawyer and the bank.

There are many possible structures that can be put in place to allow a farming family to transition their business to the next generation (including combinations of trusts, companies, limited partnerships and partnerships). The essential element in whatever structure is chosen is that it is a flexible legal structure that the whole family understands and which is fair to the farm owners and their farming and non-farming children. There is, of course, no one size fits all and different

structures will suit different families and farming circumstances.

Protecting farming assets will often require a relationship property agreement and it is essential that all those involved review their wills and put in place enduring powers of attorney (these allow someone else to make decisions on your behalf if you are unable to do so because of an accident or illness).

Like any business, when a key person becomes incapacitated or dies, the business suffers. Appropriate insurance cover to provide funds to enable the business to continue is part of protecting the business and the family.

Regular reviews of your legal and financial structures should be undertaken to ensure that they continue to meet the changing needs of your business and your family.

### Growing the business

As a farming business grows, the need for robust governance grows too. The discipline of formal board meetings where business issues are debated and decisions made promotes the healthy separation between business and family. The family dinner table ceases to be a de facto business meeting and board meetings cease to be venues for family arguments. This makes for a healthier business and happier family life.

Appointing independent directors brings fresh thinking around managing risks and taking advantages of opportunities. They can ask the difficult questions, help set strategic goals and make changes to your business culture to help your farming business grow. Lenders take confidence from the presence of independent directors on a board and, as a result, are more willing to lend.

If you attended the Future-proofing, Transitioning and Good Governance for Farming Businesses seminar in Hawera in June 2013, we hope you have started these important conversations in your family. If you missed that seminar, another seminar is set for 24 October 2013 in Inglewood. If you would like to attend this seminar, call us to register on 06 7575183.

  
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