

MODULE 1

THE HANDOVER PROCESS



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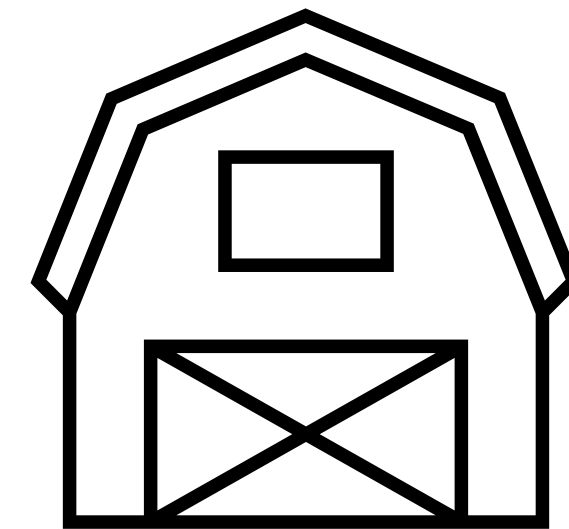
- Advice from experienced farmers



Source: Google Images

The handover process (or farm succession) is a relevant concern, as it is related to sustainability, rural and youth migration, and the aging of the agricultural sector. Farm succession indicates the transfer of the farm business, most often within the family. To continue farming, it is crucial for people to understand the factors behind the willingness of potential successors to take over the family business.

Farm succession and inheritance are more often considered as a compound phenomenon which not only affects the basis of family life on the farm but also the agricultural sector more widely. Intergenerational farm transfer, particularly, is increasingly viewed as fundamental to the development and sustainability of global agriculture.



MODULE 1

THE HANDOVER PROCESS

Session 2

The handover process – how to handle it?



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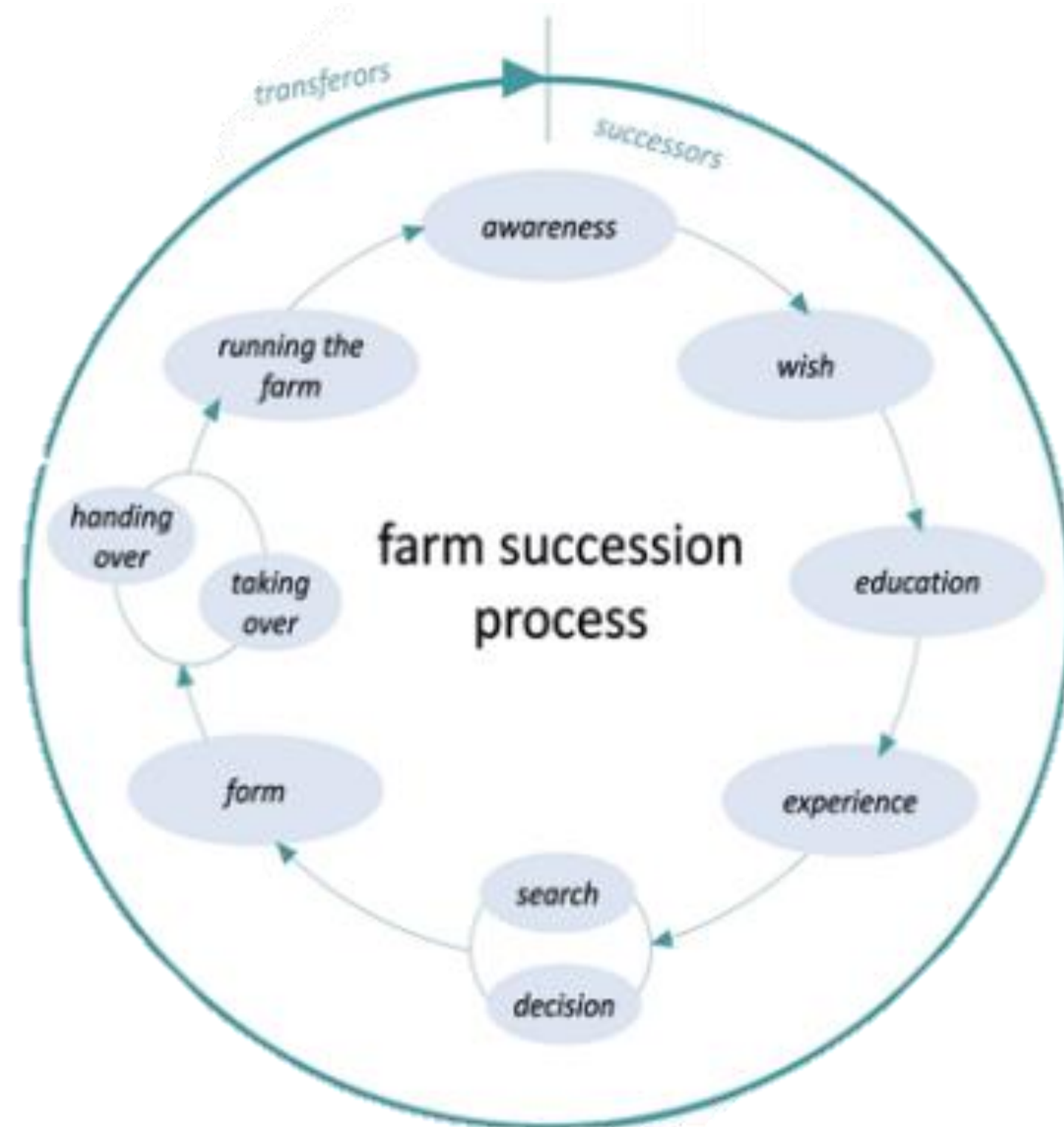


Succession planning is said to be the development of an idea which will allow a smooth transition of the business and any assets with minimal disruption to the business or, importantly, family relationships. Research results provided by Brett A. Coffman show valuable insight for evolving recommendations around family business (such as farm) succession arrangement, important policy consequences, and a basis for new theory establishment.

The most typical elements that compose a succession process in succession planning are:

- the identification of the potential successors,
- showing commitment to succession and legitimizing the individual through the actual designation of the successor as the heir apparent
- the communication to the designated successor and other key management of the designation.

A farm succession is a long process. The young successors will learn and gain farming experience while meeting farmers whose enterprise they want to take over, and have the courage to commit to transfer. The farmer must share his or her experience and farm work with new farmers and finally let go. Due to that, it is not only signing a document, it is lifelong work on farm continuity.



Farm handover preparation

Documentation needed while succession planning

The below shown elements should always be included, along with instructions, while preparing succession documentation:

- Position: stands for the position that is planned to be replaced someday.
- Incumbent: name of the person occupying the position for the moment.
- Candidates: places names of individuals who have the potential to take over the position.
- Rating for each candidate: indicator of if and how ready the candidate is to take over the role.



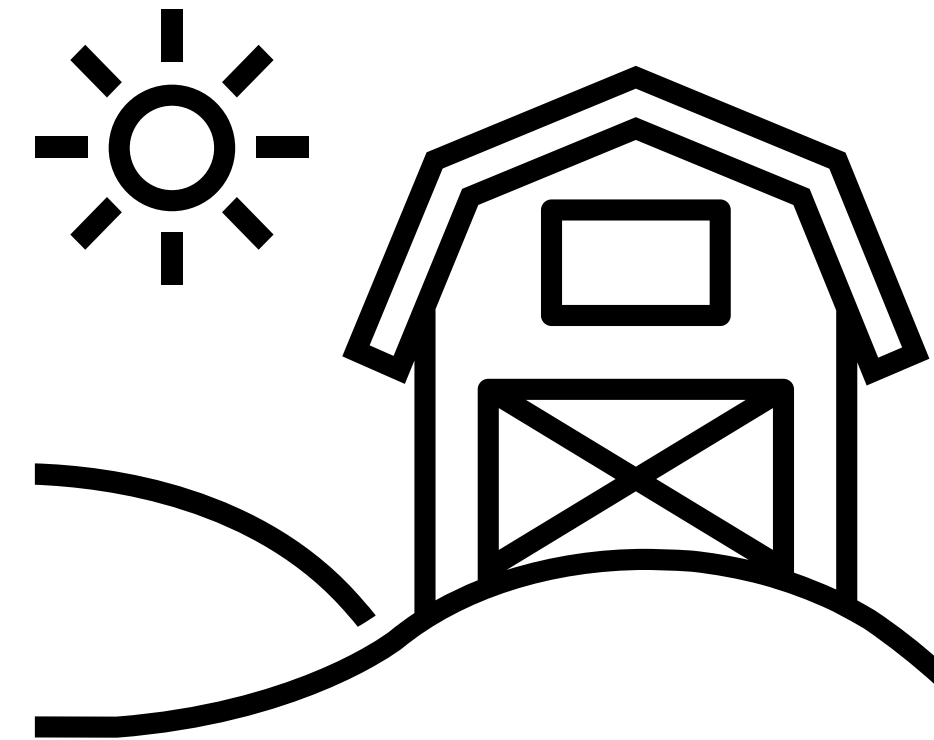
Source: Google Images

Farm handover preparation

Designing a farm handover contract

It is good to prepare a list with points which can be used as a first template for the agreement, before hiring a legal advisor.

Table on the next slide shows eight phases of the farm succession process. There are twelve tools listed to help mature farmers with the process.













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Farm handover preparation

Designing a farm handover contract

THE EIGHT PHASES OF THE FARM SUCCESSION PROCESS




| FARM SUCCESSION IN PROCESS |  AWARENESS |  WISH |  EDUCATION |  EXPERIENCE |  SEARCH/ DECISION |  FORMS |  HANDLING/ TAKING OVER |  RUNNING THE FARM |
|---|---|--|---|--|--|---|---|--|
| Guides to farm transfer: for farmers and advisors | | | | | | | | |
| Film Portraits and Screenings | | | | | | | | |
| Coffee Talk on farm succession | | | | | | | | |
| Mentoring in farm transfer | | | | | | | | |
| Matching Platform on farm succession | | | | | | | | |
| Farms to practice your skills: School Farm and Test Farm | | | | | | | | |
| Analysis: farm potential | | | | | | | | |
| Collective Training 'preparing my farm succession' | | | | | | | | |
| Case Study on farm succession | | | | | | | | |
| Role Play 'meeting a young farmer' | | | | | | | | |
| Economic Valuation | | | | | | | | |
| Land Fund: Land Co-op Terre-en-vue | | | | | | | | |

Here we give a short description of each tool.

Additional information, like examples or the excel sheets to calculate a valuation, you can find online at www.farmsuccession.eu

For the tool 'Research and Science' see www.farmsuccession.eu

Legend:

-  very useful tool in this phase
-  also useful tool in this phase
-  tool not used in this phase



1. Awareness

It is important that the youth – or even elderly seeking a new career in farming – are aware that farming is a viable profession, and fun to enter. Experienced farmers should remember of the necessity of transfer and be motivated to share their farm with students, workers and potential successors. Potential new entrants without a case history in farming are usually older once they become conscious of the wish to be a farmer. They can even be city kids with a better education.



2. Wish

Potential transferors want to transfer their farm, successors want to take over a farm. Potential new entrants need to express their wish to start out farming quite explicitly: they need to satisfy potential transferors.



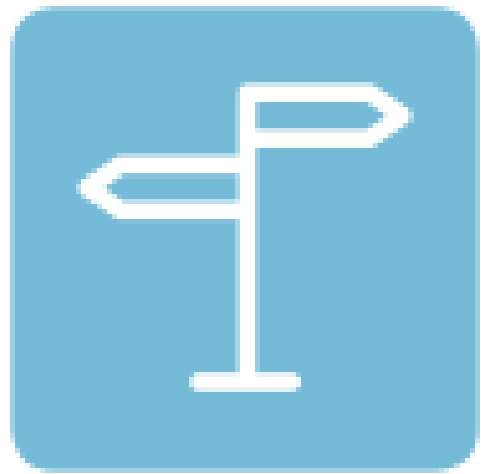
3. Education

Farming is a serious a profession, and you should learn how to do it. In school, at work or both. Training, also at different farms, is invaluable for becoming a farmer. New farmers from a non-farming background need practical experience, which farm kids may have learned from a young age by helping. Extra-family succession can also bring new, innovative business models to the farm.



4. Experience

After school, gaining work experience is significant to become knowledgeable farmer and later to become an entrepreneur. Gaining experience also can be connected to education: school farms, school internships and experienced farmers working with new entrants connect theory and practice. Gaining work experience also lets transferors meet potential successors in a casual way. Like in education, new farmers with a non-farming background may require more practical experience.

**5. Search/
Decision**

While gaining work experience, farmers may decide they want to establish their own farming business. Then they need to look for an area to start out or to take over, and research how this transfer may happen. Farmers who are not able to take over a family farm, must actively look for land or a farm. Farmers who do not have any children wanting to succeed, must find a successor. The choice to transfer outside of the family still will to be taken together with the youth in most countries, because of tax and inheritance laws.



6. Form

Potential transferors and successors have in mind the legal form in which they wish to run the farm. They plan the management of the farm and therefore the work arrangements over time, but also a legal form and financing of the transfer. New entrants got to familiarize themselves with living and dealing on a farm. Sometimes – but not necessarily – it's easier for new entrants to bring new ideas and adjustment.

**7. Handing/
Taking over**

At some point while working together, the handover of the farm takes place. This may be the only moment in time when the farm is bought, the transferor leaves the farm and therefore the successor does the work. More common however may be a gradual succession, where transferor and successor work together for several years and due to this the responsibilities gradually shift. Usually there is a moment when the takeover is communicated to other heirs, a contract is signed, and the farm title is handed over.

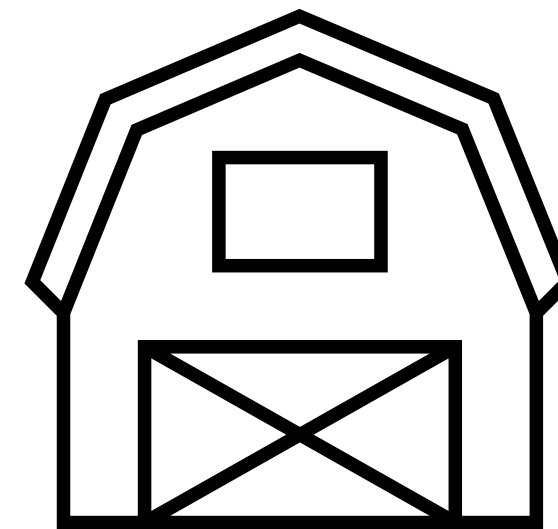


8. Running the farm

Transferors and successors run the farm together, with growing responsibilities for the successors. Eventually transferors quit the work on the farm. Running the farm together and living in the same place is possible, but it largely depends on a country's traditions.

As a result of recent social changes, succession planning – and the tools that go with it – become more and more important for farmers and their businesses. Here you can see top 12 succession planning tools which are in no particular order:

- SAP
- Succession Wizard
- Cornerstone OnDemand
- Plum
- UltiPro
- TalentGuard
- PeopleFluent
- Empxtrack
- SumTotal
- BirdDogHR
- Saba
- PageUp Succession Planning



Gaining a quality bench of leaders and a solid succession management process prepared, is critical for organizations as they face a number of emerging challenges, including increasing robotization and digitalization, evolving skills and competencies, and new generations entering and leaving the workforce.

The handover process

Farm handover problems

In the EU only 7% of all farmers are under the age of 35. This figure is mainly due to difficult access to land for young people throughout Europe as a result of little agricultural land on the market, increasing land prices, and most importantly, succession process-related problems. Consequently, there is a need for increased support in this area to help ease the succession process for young people, and therefore more easily allow them to become farmers.

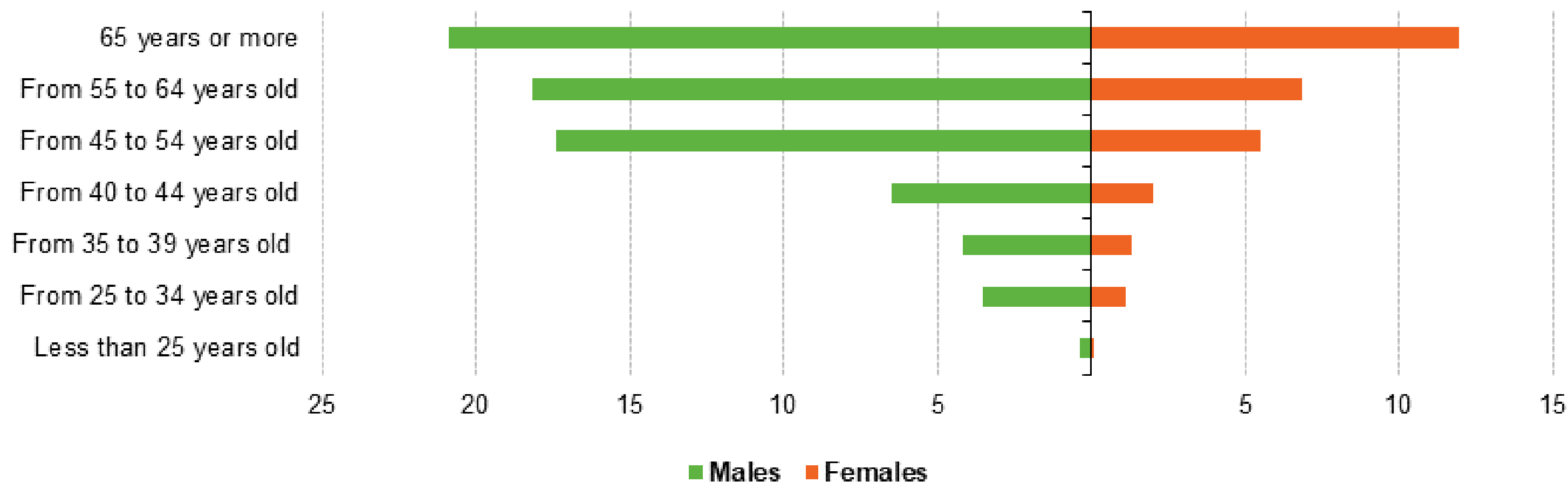


Source: Google Images



Age classes of farm managers, by gender, EU-28, 2016

(% of all farm managers)



The aging farming population has a great influence on production agriculture, succession planning, successors, and farmland usage. Recent trends in urban migration and increased opportunities for off-farm work show that aging farmers increasingly face problems with farmland succession and usage. Farmers tend not to consider succession before the age of 50 and if they owned smaller farms, they were less likely to have nominated a successor.

Farm handover problems

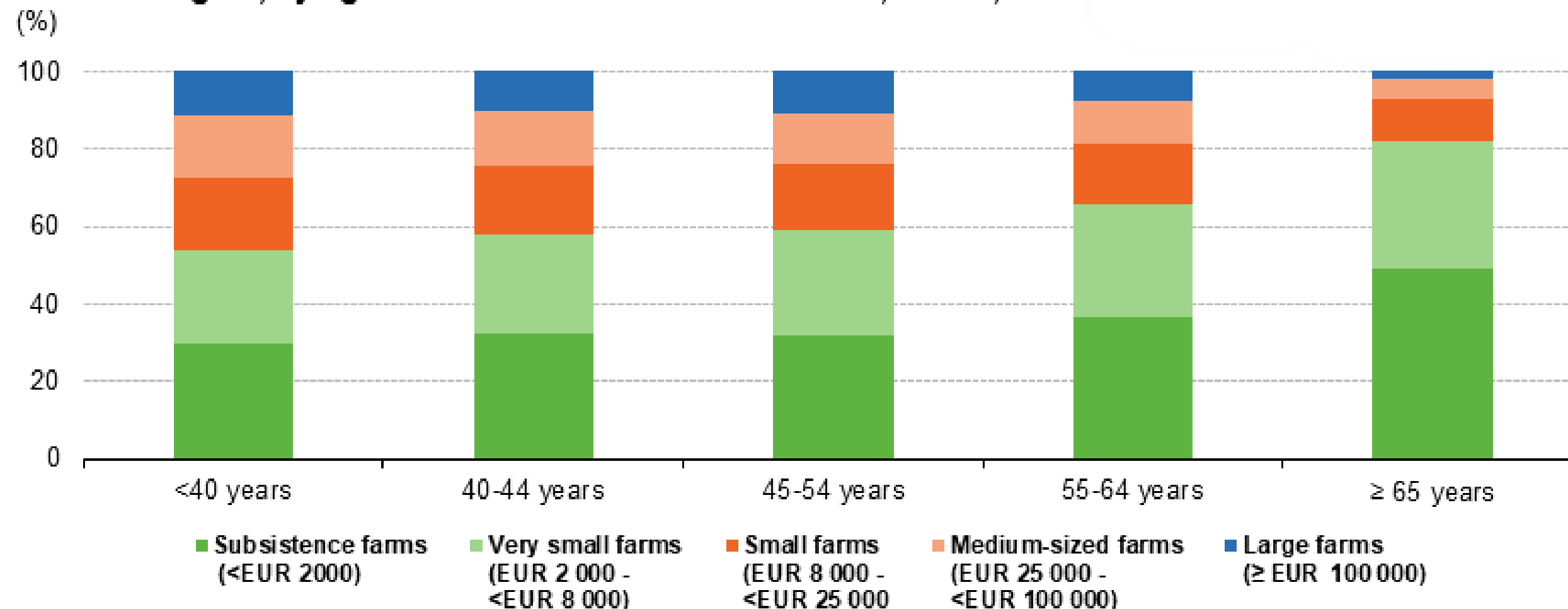
Youth migration

Young people are mostly not interested in agriculture, in large part due to their perception of farming being antiquated and unprofitable. A large share of migrants originates from rural areas. Around 40% of international bank transfers are sent to rural areas, reflecting the rural origins of a large share of migrants.



Source: Google Images

Farm managers, by age class and economic size of farm, EU-28, 2016



Family farm sizes vary across the Union. However, more than half of small family farms are run by farmers older than 55, making it increasingly difficult for young new entrants.

Source: Eurostat (online data code: ef_m_farmang)

Generally, young farmers returning from agricultural education are more aware of new technologies or wish to implement change on their farms resulting in increased efficiency and output. Rural migration is intricately linked not only with agriculture and rural development but also with the overall development of societies. Modernizing agriculture in poor areas could cause substantial benefits, such as raising productivity and keeping youth on the land rather than migrating to large cities.

The handover process

Farm succession do's and don'ts

The retirement effect, which generally has a negative impact on farms, refers to the period in which a farmer is coming near the end of his or her farming career, where the impacts for the farm are most serious when a successor has not been identified.



Source: Google Images

There are several reasons why a family farming business adds to the already complicated nature of succession planning:

The emotional
nature of family
connections

Involving just some
of the children in
the future running
of the business

Varying wants and
needs of the
“retiring”
generation towards
the new farmer(s)
and their partners

An extensive multi-
generational
history of the land
and business in
question

The farm is
independent of the
operational return of
the business which on
the asset value is
mostly low and
variable

"We didn't want to invest too much capital into the system, because this would make it difficult to transfer."
Michel Saunier, farmer on a jointly owned farm in France.

"I made my own commission of advisors. With people who know what they are doing, like a dairy farmer I worked with as an intern. He comes to my farm, walks around and tells me: 'feed more hay to your cows'. People who tell me how to improve my farm, they are useful to me." Annette Harberink, started a dairy/nature farm from scratch in the Netherlands.

"We established an agreement between our community owned farm and a candidate for succession. We always look for candidates in the same way. We commit ourselves to finding our successor three years before our own retirement and actively welcome young people for internships. So we meet potential candidates." Michel Saunier, farmer on a jointly owned farm.

"I could have sold it at a very good price, but I am in a good financial position and I wanted to set up a young farmer first and foremost. Moreover, it is also fun that I am now able to support the start-up of four farmers." Phillipe Colleu is happy with his four successors.

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Project number: 2019-1-IE01-KA202-051449

This project has been funded with support from the European Commission. This publication reflects the views only of the author, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

