

Future Proofing Ownership Change.

Any observer of farming and rural demographics is well aware of the greying of farm owners. With their average age now pushing close to 60, it's obvious the rate of the delegation, amalgamation or exit from farms will accelerate.

This offers real opportunity for those wishing to expand or invest. It also demands greater creativity to respond to the expectations of owners who want to stay involved as retirement investors. Share milking and contract arrangements have worked well to date. But the drive to rationalise debt, free owners from day to day decisions and reduce exposure to farming risk means options like leasing and joint ventures are more common.

Finding the best lessees and business partners is as much an art form as staff selection. Similar criteria apply - priority must be to secure compatible personalities, attitudes and objectives to deliver mutual gains from the relationship. It's only once the relationship has been achieved that the focus should turn to financial expectations and details of business structure. It's a process that requires planning and time.

A common mistake is to begin with a focus on investment returns or rentals and immediately start negotiating the deal. This has potential to disadvantage both parties. When I'm engaged to lease a farm or set up a joint-venture my first focus is to identify those who have compatible goals and relationship style. This may slow the process but in the long run it will maximise value and minimise risk.

As with staffing -- attitude is everything. It's about identifying those who will be enjoyable to argue with so when issues arise they can be addressed constructively. Success is heavily dependent on effective planning and formal meetings that maximise understanding.

A key focus must be to achieve a sustainable arrangement. Unrealistically high rentals or insufficient return to owners or investment partners is a threat both ways. Accurate assessment of sustainable returns for the proposed farming system is essential to establish what level of inputs for staffing, maintenance, fertiliser and general operating costs can be accommodated. These can then be adopted as approved farm policies to prevent unexplained deviations.

A major risk with leasing is that unsustainable rentals mean tenants are not capable of carrying out maintenance to protect the value of the property. This can be assisted by rentals that are balanced against changes in product prices or physical performance. Just as incentives can be used in salary packages, there is scope to structure rentals to share risk and promote sustainability.

Given the desire of most farmers to retain ownership of proven rural land investments, it is important they have full understanding of options. I have found a policy of getting the relationship right as first priority has always paid dividends. Any challenges that follow can generally be solved through quality communication, shared vision, wisdom and goodwill.

As in all strategic planning, success is all about beginning with the end in mind.

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