Changing of the guard

Stepping up the succession conversation in New Zealand farming

Rabobank New Zealand White Paper 2025

Rabobank

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As people disappear from sight, the land remains

CEO's overview

I'm pleased to introduce this year's Rabobank New Zealand white paper, the fourth in our series exploring the opportunities and challenges faced by New Zealand's primary industry as we transition into the future.

Past papers have focused on environmental sustainability and how we balance our competing national priorities to reduce emissions while maintaining global food security, national budgets and rural prosperity.

This year, we change tack slightly, focusing on the sustainability of our industry in terms of succession from one generation to the next. Naturally, we start this conversation where it all begins – on the family farm.

Succession can be a highly emotive process and is becoming increasingly complex. The stakes are increasing as the value of farming assets continues to grow amid challenges around maintaining profitability in the face of geopolitical, regulatory and climatic hurdles. It has certainly been close to the surface for our clients since Rabobank first started working with New Zealand farmers, growers and major producers in 1994, and structural changes in the sector are bringing that succession challenge even closer.

After a lifetime of hard work, it's natural for clients to ask how to ensure the continuity of their farming businesses and make sure they are adequately rewarded.

In recent years, there has been a perceptible level of concern in the industry about the ageing of the current cohort of farmers and further concern about what it means for the future of the food and agri sector. As Rabobank marks over 30 years of active investment in the future of New Zealand farming, it's timely to see how succession is evolving.

To help investigate the current state of succession in New Zealand farming, Rabobank New Zealand commissioned the University of Waikato School of Economics, Accounting and Finance to conduct a fresh review of official statistics in conjunction with our Bank's own desktop research and case study interviews.

Traditionally, succession in agriculture has often been taken to refer to the transfer of family farm ownership from one generation to the next. With the plethora of structures for ownership and land-use opportunities in the industry today, it's also appropriate to consider succession in the context of the farm succeeding into a different state of ownership and/or operation.

In line with this, we explore intergenerational succession of ownership as well as succession to external ownership, new ownership structures and changing forms of land use.

New Rabobank data (February 2025) shows that only one-third (33%) of farmers have a formal succession plan. However, over the next 10 years, more than half of all New Zealand farm and orchard owners – around 17,320 farmers – will hit retirement age. Based on current average land values, this changing of the guard is likely to be New Zealand agriculture's largest-ever intergenerational transfer of wealth, directly involving a current land value conservatively estimated at more than $150 billion of farming assets that will depend on a successful succession process.

A key finding of this paper is that succession is a process, not a moment in time. It's also intensely personal. Given there is no off-the-shelf solution for most families, succession takes time. Most of the farmers we spoke with had been at it for years, and all of them wish they'd started the process earlier.

We also found that, while the ideal of passing the family farm down from one generation to the next is under significant pressure, there are a number of new and innovative succession models being adopted to help farming families stay connected to their land.

We hope this research helps create a broader discussion about the changing farming models in New Zealand and the level and nature of opportunities for upcoming generations – whether it's on the traditional family farm or one of the emerging corporate or hybrid structures of ownership.

Farmers already have a lot to contend with, and we want to elevate the existing solutions and contribute to new ones. For our part, the insights gained along with client and industry conversations will help guide Rabobank's team as we look at banking solutions to meet the changing needs of New Zealand's food and agri sector for the next 30 years and beyond.

Todd Charteris

Rabobank New Zealand
Chief Executive Officer

The call of the family farm

"The connection to the land that you feel… we're fourth generation… you've got that bit of history. Your grandfather built the fences… it's something that you want to maintain and look after… you want to hang on to it and … keep it going for the future. Let your kids sort of have a go at that as well… like you've literally… got your own little slice of paradise that no one else can sort of interfere with."

– Young Farmers Focus Group

Just over 400 years ago, an English judge declared that, in the language of the time, "a man's home is his castle". The sentiment is little different today. Succession of the family farm means not just moving on from your life's work, but often leaving the place you grew up in – the family home that in some instances has been in the family for generations. The powerful cocktail of emotions and commercial realities can be a lot to deal with for everyone involved.

Every new generation tends to think they have it harder than the last, but if you look at the relative costs of rural land today, the financial challenges for younger generations have moderated somewhat, particularly compared to the boom years for dairy between 2000 and 2008. Overall, the value of New Zealand dairy land more than doubled between 2000 and 2019 – effectively two generations of capital growth in the space of one as the increase in the dairy payout was capitalised to land values. It's been a different picture for dairy land since then, with dairy land values "afloat but going sideways" as one Rabobank Research Report described it. Pricing for all rural land was sustained until a peak in January 2023, supported by premiums for carbon prices.

The obstacles to farm ownership are not getting any smaller, so the industry needs to take a more deliberate and entrepreneurial approach to succession and, most importantly, start the process much earlier.

The reality is that succession is hard to do well in every category of business.

Statistics collected by Grant Thornton International indicate 75% of all businesses across the world are family controlled or owner operated. Of these, less than 50% will survive the first 100 months (8+ years), and less than 30% of these family businesses will succeed to the second generation.[1]

Farming is far from alone in the challenges of navigating transition, albeit with unique cultural and economic factors at play here in New Zealand.

The romantic ideal of the farming family working the land and/or tending to their plants and animals and passing the family legacy from one generation to the next has simply become a lot harder for many rural families.

Having watched their parents or grandparents work punishing hours to carve out a respectable but not necessarily lucrative cash flow from the land, a lot of farming kids have other plans for their futures – that don't involve getting up at 4am to milk the cows.

Even though almost 32% of farmers plan to pass their farm on to their children before retirement, 39% of them reported having no children with a serious interest in farming.[2]

Somewhat ironically, those families fortunate enough to have the next generation ready to take on the family business can face the opposite problem with multiple siblings lining up to inherit the farm. Automatically passing the farm over to the eldest son is an antiquated ideal at best, so these inter-family conversations are often fraught, especially once new perspectives are introduced by the kids starting their own families.

The growth of corporate farms and farm consolidation can be one outcome of the changing patterns of succession in New Zealand as these 'family farms' shift to new or mixed ownership models or families and neighbours pool their resources to achieve greater synergies within their collective businesses.

While intensely personal, everyone in our rural communities has a vested interest in the succession of these family farming businesses. Challenges with farmer succession are contributing to the corporatisation of farming and a driver of rural population decline and population ageing, all of which are impeding the social sustainability of rural areas.[3]

[1] Beef + Lamb New Zealand & Red Meat Profit Partnership. (2020). *Farm ownership and transition: Resource book* (p. 11). https://beeflambnz.com/knowledge-hub/PDF/farm-ownership-and-transition.pdf

[2] Nuthall, P. & Old, K. (2014). *Report on a succession and governance survey of a random stratified sample of NZ farmers*. Agribusiness and Economics Research Unit. https://researcharchive.lincoln.ac.nz/server/api/core/bitstreams/855e4320-50b5-4fdf-82fc-4002f58e7d59/content

[3] Cameron, M., Barrett, P., Cochrane, W., & McNeill, K. (2010). Agricultural change and social sustainability in rural New Zealand. *The International Journal of Environmental Cultural Economic and Social Sustainability Annual Review*, 6(3), 77–92. https://doi.org/10.18848/1832-2077/CGP/v06i03/54786

The family farm is deeply rooted in the New Zealand imagination

Farming generates deeply felt emotions and relationships among the people who work on the land and between the families who share a common endeavour to make a living from the land.

Due to our pioneering origins and the economic importance of the primary sector through the decades, there has been an intertwining of farming with both personal identity and national identity: if you take my farm, you are effectively taking away my life.

The relationship with the land and animals also generates emotions. Farming can be a struggle – with the animals, the topography, the vegetation, the climate and, yes, the bank.

Within this emotional overlay are often expectations for family to put their backs into the family farming endeavour – for young adult children to spread their wings but also fly back home.

The dream of farm ownership has always had a strong grip on the New Zealand imagination.

Its hold on the national psyche is clear from the early patterns of European settlement in the 1870s and waves of migrants from England, Ireland and Scotland, often via Australia.

Many saw a way to escape the social class boundaries and grinding poverty of their home countries by getting their hands on their own patch of land in what was often pitched as a 'promised land'.[4]

> *They were very aware that ownership brought independence and power. The desire to be a freeholding farmer was a powerful theme of settlement and land policy.*[5]

In our living memory, the farming community has since experienced first-hand the highs and lows of the boom years for wool during the 1950s and the perils of Great Britain entering the Common Market in 1973 through to the abrupt removals of farming subsidies from 1984 onwards.

Add the perennial dilemma of dairy or other system conversion and navigating the passing parade of new opportunities – from angora goats to ostriches, sheep milking to carbon farming – and you have many of the elements of an emotional roller-coaster.

The farming families who have negotiated these challenges are battle hardened. It's easy to understand why they might value family succession after working so hard to stay on the land.

The dream exit – one of the kids will take over the farm

For many Kiwi farmers, the dream is that one of the kids will take over the farm.

The flipside is that it can also be experienced as a feeling of pressure or a sense of responsibility by the next generation.

> *"I'm the only one of the generation … to have shown an interest in farming. So when we talk about responsibility … it is quite a pressure cooker … it does come with like the weight of that, too … I'm the fifth generation to walk these hills … [to] put the fences up and move the stock around … [it is an] insanely cool connection to the land."*
>
> ***– Young Farmers Focus Group***

> *"We've maintained a good relationship with the [wife's] family, and then I guess we've sort of seen it from the outside looking in a bit more as well. But yeah, they're getting old and they're absolutely buggered, and you hate seeing them walking around broken and whatnot. But they're just trying to pay debt down and get in a financial position where they can let the next people in because, yeah, like, there's still grandparents. And then the parents. And then the siblings … Be easy to just go farm somewhere else and not have any family ties to it."*
>
> ***– Young Farmers Focus Group***

Taking this history of deep engagement between farmers and the land, it is hard to disagree that the exploration of succession has to move "beyond an economic focus, and towards an emotional one, to gain a more comprehensive understanding of why farmers can be reluctant to retire and/or pass their farm onto the next generation", which matters because "500 million farms across [the globe] are mostly managed by farm families".[6]

[4] Phillips, J. (2005). *History of immigration – The great migration: 1871 to 1885.* https://teara.govt.nz/mi/history-of-immigration/page-8
[5] McAloon, J. (2008). *Land ownership – Early Pākehā land settlement.* https://teara.govt.nz/en/land-ownership/page-2
[6] Holloway, L., Catney, G., Stockdale, A., & Nelson, R. (2021). Sustainable family farming futures: Exploring the challenges of family farm decision making through an emotional lens of 'belonging'. *Sustainability, 13*(21), 12271. https://doi.org/10.3390/su132112271

Succession in Māori farm businesses

Not all ownership and therefore succession is alike. Māori own around 5.7% of all land in New Zealand – a hugely reduced area from pre-1840 when all land was considered as under Māori guardianship (kaitiakitanga)[7]. It is widely recognised that Māori have traditionally had an immersive relationship with whenua (land) and taiao (environment) that extends well beyond a simply commercial relationship with the land. This also impacts patterns of ownership and succession.

> *The land and water have long been fundamental to Māori identity and culture, deeply rooted in whakapapa with a long-term, intergenerational view ingrained in the protection, restoration, and management of whenua Māori. Traditional Māori land 'ownership' was not of the land itself, rather the different resources that could be created from it.*[8]

Recent Ministry of Business Innovation and Employment research reconfirms the scale and importance of agriculture, forestry and fishing in the Māori economy.[9]

A closer breakdown of the type of entities that own this almost $40 billion in primary sector assets prompts interesting questions for future researchers. Māori collectives own 48% (almost $19 billion of assets), while Māori employers own 41% and self-employed Māori own 11%. (Figure 1).

Māori collectives can include Māori-owned trusts, Māori authorities, and post-settlement governance entities and their commercial arms. The recent MBIE study contends that "Māori collectives take an intergenerational approach to their interests, managing and delivering economic opportunities for current and future generations".[10]

The collectives have a strong connection with owning large-scale sheep and beef enterprises with $7.2 billion held in this form of asset. Along with this, the average size of Māori-owned farms was almost three times larger than the average size of all farms.[11]

Over the five years to 2023, the collectives have more than tripled the value of their ownership of horticulture assets to $2 billion.[12] For Māori employers, dairy farming accounts for the largest share of agriculture, forestry and fishing assets at $6.2 billion.

Over the past 150 years, many whānau have moved to towns and cities, often outside their own rohe (tribal area), resulting in a loss of connection to the whenua. Helping renew this connection is the purpose of the online portal at www.tupu.nz/en managed by Te Puni Kōkiri | Ministry of Māori Development, which includes an intuitive search function designed to help iwi members reconnect with their traditional lands.

The patterns of Māori ownership, especially the high proportion under collective ownership, point to intriguing differences and changes in the processes of succession within Māori-owned farming enterprises. While outside the immediate scope of this current paper, with around 5,000 Māori-owned trusts and incorporations active in the sector, there are likely to be many lessons in endurance and continuity for New Zealand agriculture as a whole.

Figure 1: Asset base for Māori self-employed, employers and collectives [13]

Sector ($m)	*Self-employed*	*Employers*	*Collectives*	***Total***
Kiwifruit growing	194	565	1,238	**1,997**
Other horticulture	119	777	796	**1,692**
Sheep and beef farming	1,679	3,444	7,211	**12,333**
Dairy	1,148	6,248	4,399	**11,794**
Forestry	873	2,519	2,898	**6,291**
Fishing	93	751	2,253	**3,097**
Other agriculture	390	1,901	200	**2,491**
Agriculture, forestry and fishing	**4,495**	**16,205**	**18,994**	**39,694**

[7] Nana, G., Reid, A., Schulze, H., Dixon, H., Green, S., & Riley, H. (2020). *Te ōhanga Māori 2018: The Māori economy 2018.* Reserve Bank of New Zealand & BERL. https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/research/te-ohanga-maori-report-2018.pdf
[8] Schulze, H., Reid, A., Dixon, H., McIndoe, C., & Wiradika, S. (2024). *Te ōhanga Māori 2023: The Māori economy 2023* (p. 15). Ministry of Business, Innovation and Employment & BERL. https://www.mbie.govt.nz/assets/te-ohanga-maori-2023-report.pdf
[9] See footnote 8.
[10] See footnote 8.
[11] https://www.stats.govt.nz/information-releases/tatauranga-umanga-maori-statistics-on-maori-businesses-2023-english
[12] See footnote 8.
[13] See footnote 8.

CASE STUDY

Webb's Fruit – one family, 100+ years

"Mate, I'm over this – you better get home."

In truly understated Kiwi style, this remark from John Webb to his 23-year-old son Simon signalled the beginning of succession of the Webb family orchard – a cornerstone of the community for over 110 years.

Located on the outskirts of Cromwell and managed by Simon and Trudi Webb, the fourth generation of the family, the orchard has a rich history and a promising future.

The family history of what is now Webb's Fruit goes back to 1914 when Simon's great-grandparents relocated from Invercargill to the 32 hectare orchard the family still calls home. That original farmhouse is the bones of Simon and Trudi's home today – including the outdoor bathroom.

Simon and Trudi share the home with their three teenage children, Cameron, Brooke and Ariana. Simon's mother also still calls the orchard home, living on a section overlooking Lake Dunstan that was carved out of the orchard as part of the succession process.

Today, the orchard is focused on summer fruit (apricots, nectarines, peaches and plums) and pipfruit (apples and pears). Other improvements over the years include a new packing shed and cool storage facilities, planting new blocks of land, staff accommodation for 50, excavation of a large-capacity irrigation dam and a roadside store.

The call of the family farm

The Webb family history reveals four generations of husband-and-wife teams stepping up to continue the family legacy, too often in response to a premature death in the family.

Simon's desire to continue the family legacy goes back to childhood. "I was brought up on the place and all through school and things worked on the orchard. It was probably when I was 14 or 15 that I was like, right, I'm gonna be a fruit grower and sort of set my mind to that," he says.

Simon and Trudi met at Massey University in Palmerston North. Simon graduated with a Postgraduate Diploma in Applied Science (Horticulture) and Trudi a Bachelor of Applied Science (Horticulture) with first-class honours.

Seeking the classic Kiwi OE, the couple worked in orchards and pack houses in Canada before moving on to England where Simon and Trudi were employed by an apple importer.

The Canada opportunity had come about from a travelling Canadian orchardist that Simon had met while in New Zealand, who turned out to be the biggest cherry grower in Canada at the time, working off about 50 hectares.

This international experience and exposure to different horticultural practices helped Simon and Trudi develop a broader skill set, which they brought back to the family orchard.

"I'd always told Dad I was going to come home and take over the orchard. So he knew where I stood. While I was in the UK, the old man gave me the call and said, 'Mate, I'm over this – you better get home'," Simon explains.

"He was in his 50s at the time and had probably run out of enthusiasm for it. The industry wasn't exactly on a high at that point in time.

"My brother was already home working in the orchard, so I came home and did a bit of a swifty on them. I went to work for the Canadian, who had since bought a property in Cromwell, and ended up working about a third of my time for the old man and two-thirds developing the orchard for the Canadian.

"Working on the family orchard, you learn your old man's skills and ways of doing things, but when you work for someone else, you learn their skills too and then bring them back into the family. The outside perspective makes you a much better manager, having a broader mindset.

"After I'd been doing that for three of four years, the old man said, 'Right, I am over it now – it's time to get home'.

"And I said, alright, I'll come home but we need to negotiate what's going to happen."

Succession planning

The succession plan for the Webb family orchard initially involved Simon and his brother. However, his brother quickly decided to step out of the family business, believing the orchard couldn't support three families.

Simon and his parents negotiated a 50/50 ownership structure, with Simon taking on management responsibilities and working out a repayment plan for his parents' share over time. Together, they expanded the orchard to 25 hectares, built new infrastructure and later negotiated a lease to more than double the orchard's size to over 50 hectares.

The financial arrangements included a family loan and a structured repayment plan, ensuring Simon's parents received interest and principal payments while allowing Simon and Trudi to manage the business effectively.

"Succession planning was all done around the kitchen table. We talked about bringing experts in but quickly decided that was a stupid idea because it would cost us a lot of money that we didn't have," says Simon.

"I paid an accountant to go through the old man's books and got some advice from a lawyer. Their advice was that buying into the business was a stupid investment, which was good to know. But I wanted to be in fruit, be my own boss and realise my own aspirations and dreams, so I ignored them and went ahead with it anyway.

"Talking to the old man and my Mum around the kitchen table, I suppose the biggest thing was sorting out what everyone wanted.

"We had some pretty heated discussions around the table. The old man would get a bit red in the face every now and then, but Mum was the peacemaker and would calm everyone down again.

"Once you actually listen to what everyone's got to say and you take the emotion out of it, you realise everyone wants the same outcome. Then it's about stepping back from there and making it viable for everyone."

Lessons learned

One of the key lessons the Webbs learned from the succession process was setting clear expectations, but all sides have to be willing to accept a bit of give and take along the way.

"We had to work through what was going to work on both sides of the fence. One example was that I didn't take the wage of an orchard manager, but then Dad didn't get paid a full wage either. It wasn't going to work if I was taking a full manager's wage out and if Dad was getting paid interest and principal and a full wage.

"So we both had to concede as it was better to be reasonable. My mindset was that I'm not an orchard manager. I'm an orchard owner and it's very different."

Keeping the family's best interests in perspective was also one of the keys to the Webbs' successful process. For Simon's father, keeping the orchard in family ownership was the priority, but he was also concerned with making sure that, after a lifetime of trying to build wealth, he and his wife would be sorted in retirement.

"Dad was a little intimidated by what was going to happen in the future. He'd built up a bit of wealth but was worried that it would erode with inflation. Then with the 50/50 ownership structure between us, he was only going to get 50% of the capital gains, then eventually [as the principal on the family loan was paid down] get no capital. So you need to make some concessions and make sure Mum and Dad are sorted.

"You want to make it a commercial conversation as much as possible, but at the same time, you are dealing with family. The last thing I would have ever wanted was to see my parents destitute at an older age or without a bit of wealth to share with my siblings."

For the Webbs and the 100-year family heritage on the orchard, taking emotion out of the process was easier said than done.

"There was a lot of emotion in the transaction for my Dad, keeping the family history alive. But my mother was a calming influence, she took the emotion out of it, telling us all it is what it is. She treated it more like a business transaction.

"Having someone there to take the emotion out of it was really beneficial, because as soon as it becomes emotional, logic has gone out the window and you start only thinking about yourself."

The final important lesson the Webbs took from their experience was the value of starting the succession process early. Simon and his parents began planning when he was in his mid-20s, which gave them plenty of time to implement changes and build equity. This early start allowed them to make decisions without the pressure of time constraints and navigate unexpected challenges such as illness taking John Webb's life at age 65 in 2012.

"Dad became unwell when we were doing the second stage of the succession process, which was sad. But I think it gave him a lot of comfort to know that he had seen it through and that Mum was right for the future and so was the orchard. He was pretty proud of the orchard."

The end of the golden weather?

Over the past 20 years, there has been a persistent narrative within farming communities, media and political debate that the family farm faces headwinds. The on-farm pressures are also reflected in the emergence of new farming representative groups.[14]

The narrative carries a nostalgic tone that things are 'not like they used to be' when a farmer could simply get on and farm, seemingly without having to worry about all the regulations.

New regulations for water quality, nitrogen loads, animal health and movements, carbon emissions and health and safety are deemed to have sapped some of the enjoyment from farming and eroded the benefits of freedom and autonomy.

Other trends add to perceptions of the archetypal Kiwi farmer as a endangered species[15] such as:

- growing urbanisation (bringing encroachment on productive land and loss of understanding and support for farming)
- labour shortages after the COVID-19 pandemic
- changing demographics such as an ageing population and declining fertility
- hype and uncertainty about the future of alternative proteins
- the growth of exotic forestry and carbon farming.

Population sociologist Emeritus Professor Paul Spoonley believes that the changes being felt in the farming community reflect changes in our broader society.

> *By 2038 – New Zealand will be quite a different country … This includes the rapid aging of the population as a whole and a major exit from the workforce as Baby Boomers retire, declining fertility so that there will be fewer in the education system and then fewer entrants into the workforce, a move from south to north and from rural to urban areas, and superdiversity amongst younger generations.*[16]

Associated with the ageing demographic is a concentration of property wealth (including farming businesses) in the hands of older people. It is not clear who will be able or willing to purchase what have become expensive businesses with high entry prices for the next generation of farmers. Taking over the family farm involves committing to decades of indebtedness in a sector that is subject to volatility and uncertain returns. It remains a big call for a 20-something and their bank. The impacts are more than academic.

> *We are also aware that the Waikato dairy farm market suffers from a lack of younger farmers with the appetite and ability to transition from managing and sharemilking into farm ownership.*[17]

According to Federated Farmers, the average farm mortgage sits at $4.7 million with an average interest rate of 6.52%.[18] This figure includes farming businesses that have substantially paid off their mortgages, which highlights the steep financial hill faced by new generations.

The reality is that the rate of increase of total package value for farm employees has been keeping pace with the increase in land valuations over the period 2011–2024. We analysed the average total package value of a broad basket of farm employee occupations between 2011 and 2024, spanning sheep and beef, dairy and arable roles. They increased by a compound average growth rate (CAGR) of 3% over this period, exactly matching the 3% CAGR recorded in the REINZ Farm Price Index.

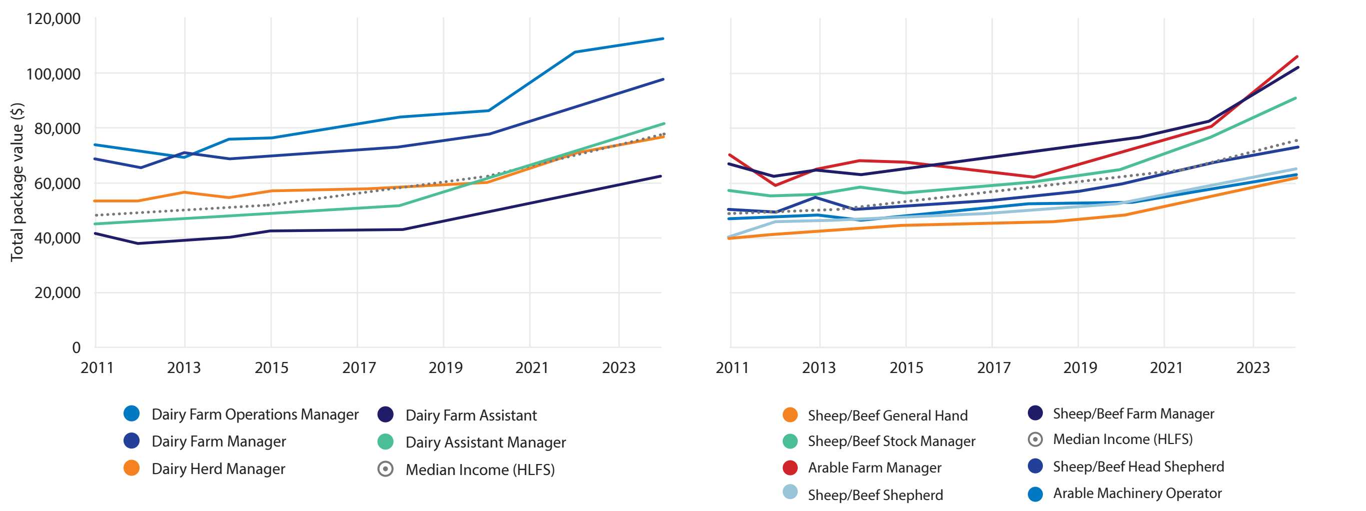
For dairy land prices during this same time span, which incorporated the peaks of 2007/08 and 2014/15 as well as some ensuing drift, the REINZ Dairy Farm Price Index increased by 1% CAGR over that time, versus the 3% CAGR in average total package value for the basket of rural roles.

Based on these ratios, the succession cliff appears less steep recently, although the challenges to get on the ladder remain high, particularly with the increased scale of farming and need to increase margins to support borrowing.

Farm employee incomes have remained substantially below the New Zealand median, while increasing at a similar rate, which highlights the challenge for farm employees trying to build financial capital to become farm owners.

The picture is always more attractive when viewed through the lens of total package value (which may include fringe benefits such as access to housing, use of vehicle and/or farm produce) rather than straight wages and salaries. Within both dairy, and sheep and beef, there is a clear difference in farm worker income by role (Figure 2). Incomes for all roles have grown at a similar rate to the median income.

Figure 2: Total package value by job title, 2011–2024



Source: Federated Farmers and Rabobank, Remuneration Survey; Stats NZ Household Labour Force Survey (median income). Total package value includes salary and fringe benefits.

[14] Campbell, H. (2023, October 4). *The battle for NZ's farming heartland: Groundswell, ACT and the changing face of rural politics.* https://theconversation.com/the-battle-for-nzs-farming-heartland-groundswell-act-and-the-changing-face-of-rural-politics-213979

[15] Tipa, P. (2017, August 23). *Is the Kiwi farm endangered?* https://www.ruralnewsgroup.co.nz/rural-news/rural-general-news/is-the-kiwi-farm-endangered

[16] Spoonley, P. (2023, July 3). *Going, growing, gone… a new New Zealand emerges – Implications for the primary sector* [Paper presentation]. Primary Industries New Zealand Summit, Wellington.

[17] Colliers Rural Valuation. (2023). *New Zealand dairy property market report* (p. 20). https://image.realestate.colliers.com/lib/fe2b117371640479761c79/m/1/c5bfb74a-3543-41ca-b299-5ee20fb5e1c4.pdf

[18] Federated Farmers. (2025). Federated Farmers' Banking Survey. https://fedfarm.org.nz/FFPublic/Media-Releases/2025/Farmer-satisfaction-with-banks-better---but-fragile-.aspx

Pressures on the productive footprint

Increased awareness and knowledge of climate change and its associated extreme events such as Cyclone Gabrielle, along with the earlier 'wall' of regulations to reduce greenhouse emissions, has added to pressure in the sector. While the current Coalition Government has eased off the pace of emissions reduction, there are still significant and growing pressures from global customers for New Zealand's key agricultural commodities.[19]

Recent recommendations from the Climate Change Commission indicate that future policy settings could further squeeze the footprint of commercial farming in New Zealand. The Commission's recent analysis asserted a need to reduce the active footprint by 1.5 million hectares with a particular impact on the sheep and beef sector (Figure 3).[20]

Figure 3: Possible impacts of climate policy settings on land use

Land area (millions of hectares). Source: *Climate Change Commission*

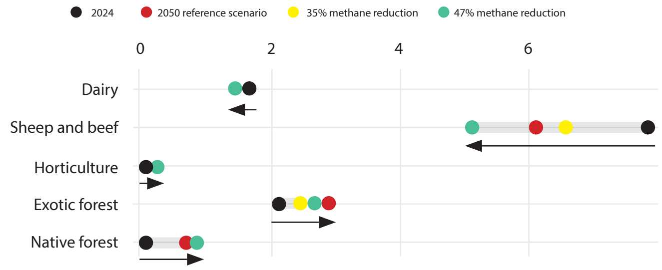


Figure 3 also points to a tailwind for expanding forestry in New Zealand whether through exotic plantation forestry or the emerging category of native regeneration and even new native plantings as long-term carbon sinks and to create value through carbon units. This is causing concern to peak industry bodies such as Beef + Lamb NZ.

> *There has already been a significant decline in stock numbers as a result of afforestation over the past few years, and we know a lot more is coming as there is a lag between when a farm is sold and when trees go in the ground.*[21]

> Forestry has been attractive to international fund managers looking for carbon-neutral or carbon-positive investments. This has led to concerns that large areas of New Zealand, including productive land, are being targeted for conversion or for sale into foreign ownership.

Widespread publicity about large-scale forestry purchases by offshore investment companies[22] has contributed to a perception of forestry as the bogeyman stalking New Zealand agriculture.

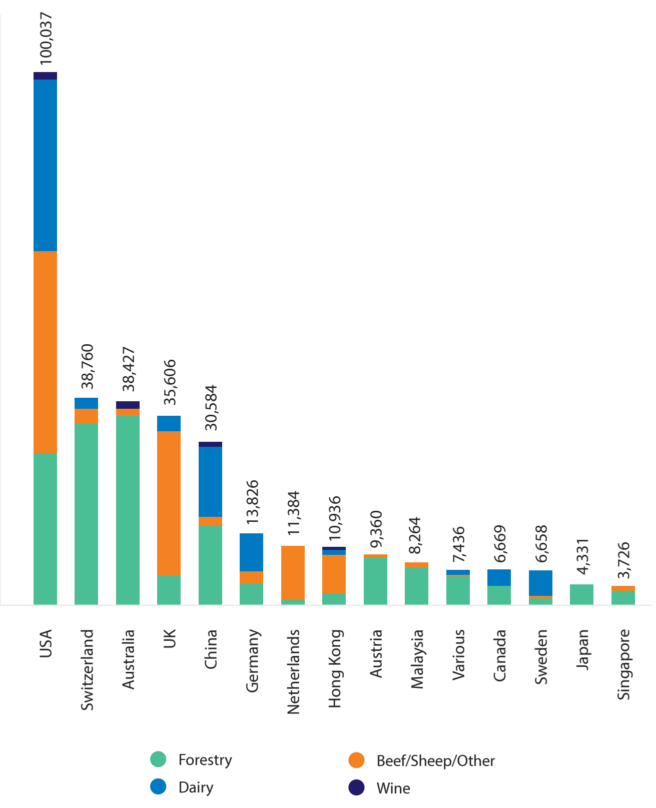
Rural real estate specialists Colliers neatly summarised the dual considerations of overseas investment in a recent property market report on New Zealand dairy. Supporters of overseas investment cite economic, trade and employment benefits, while critics raise concerns about environmental degradation, loss of local land control, potential food security issues and cultural impacts.

The Colliers report also makes it clear that the settings for overseas investment have a big impact on potential succession outcomes for farmers leaving the industry. It found that lack of international investments during the 2022/23 season "placed constraints on the sales of larger-scale properties … primarily because the pool of domestic buyers capable of purchasing these extensive farms is quite limited" and that, prior to 2017 restrictions on overseas investment in New Zealand dairy farms, "international purchasers provided an alternative flow of capital into the Canterbury, Southland and Waikato dairy markets, and this additional capital had a positive effect on market liquidity and enabling other downstream sales to occur".[23]

A July 2021 analysis by Radio New Zealand found that almost 460,000 hectares (an area a little under the size of the Auckland region) had shifted out of New Zealand control through purchases, leases or rights to take forestry between 2010 and 2021. Of this area, the largest proportion – 39% or around 179,000 hectares – was purchased for forestry. Dairy operations accounted for 16% (73,500 hectares) and other types of farming for 22% (101,000 hectares). Wine was fourth on the list at 2% (around 9,500 hectares). Land sold to individuals with the 'intention to reside' in New Zealand (11.5%) and forestry rights (8%) made up the balance. The RNZ data showed that United States citizens led the way in total purchases by a considerable margin, with the top 15 countries shown in Figure 4.[24]

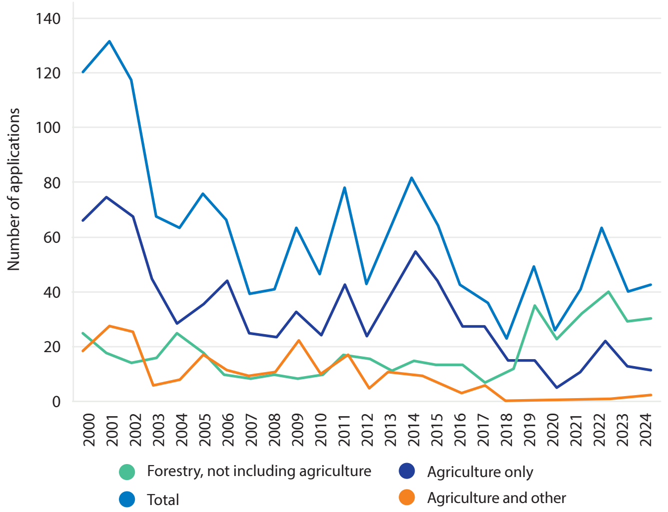
[19] Rabobank. (2024). *Maintaining our emissions edge: Protecting New Zealand's position as an emissions-efficient food producer.* (p. 16). https://www.rabobank.co.nz/knowledge/primary-industries-summit
[20] Daalder, M. (2024, December 6). *Climate Commission recommends negative 2050 target.* https://newsroom.co.nz/2024/12/06/climate-commission-recommends-carbon-negative-2050-target /
[21] Daalder, M. (2024, October 23). *Farm-to-forest conversion policy sent back to drawing board.* https://newsroom.co.nz/2024/10/23/farm-to-forest-conversion-policy-sent-back-to-drawing-board/

Figure 4: Foreign purchase of hectares[25]



The reality is that the number and geographic extent of approved applications to the Overseas Investment Office (OIO) has been much more modest in recent years. Total annual agriculture and forestry applications for OIO approval capped out at just over 120 in 2001, before falling to around a third of that number in 2024, with forestry as the majority of these since 2018 (Figure 5).

Figure 5: Number of OIO approved applications in agriculture and forestry 2000-2024

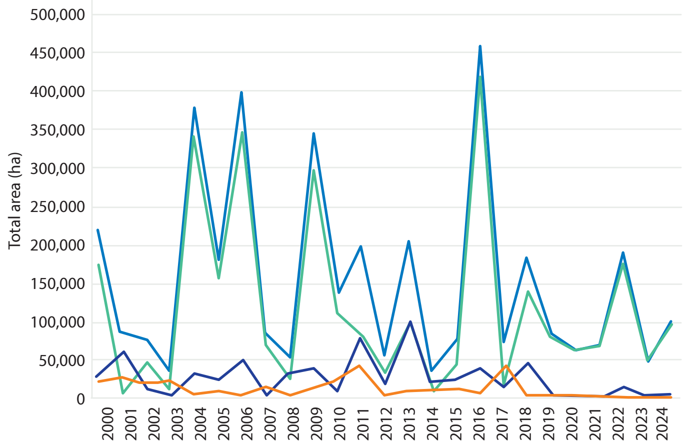


Source: Overseas Investment Office, Land Information New Zealand. OIO applications may cover more than one sector. "Agriculture and other" includes all applications that have agriculture as one of the sectors. "Agriculture only" includes applications that have no sectors other than agriculture. "Forestry, not including agriculture" includes any application that has forestry as one of the sectors and does not have agriculture as one of the sectors.

[22] For example, Hamilton-Irvine, G. (2025, April 3). *Large Hawke's Bay sheep and beef farm to be converted to forestry; sold to overseas buyer.* https://www.nzherald.co.nz/hawkes-bay-today/news/large-hawkes-bay-sheep-and-beef-farm-to-be-converted-to-forestry-sold-to-overseas-buyer/K7IPCHLCUJESJGQTNOJPKXZBOU/
[23] See footnote 17.
[24] Hancock, F. (2021, July 12). *US buying up our primary industries.* https://www.rnz.co.nz/news/whoseatingnewzealand/446687/us-buying-up-our-primary-industries
[25] See footnote 24.

The total area of approved OIO applications has been very changeable, often in relation to the sale of large sheep and beef holdings, sometimes for conversion to forestry (Figure 6). The scale of applications (in terms of land area) declined dramatically in 2018 and has remained generally low since.

Figure 6: Total area of OIO approved applications in agriculture and forestry, 2000–2024



Source: Overseas Investment Office, Land Information New Zealand.

The above trends have not translated to the wholesale and extensive loss of grasslands in New Zealand. There was a decline in grassland by 4.2% between 1989 and 2020 (about 600,000 hectares) and a corresponding increase in forest cover by 5.8% (about 550,000 hectares), which likely represents mostly conversion of farmland to plantation forest or carbon forests.

By contrast, urban land use has increased by 15.8% between 1989 and 2020 (about 33,000 hectares), while cropland has increased by 12% (about 50,000 hectares). Those changes are relatively small and need to be considered in the context of 14.5 million hectares of grassland in 2020 and nearly 10 million hectares of forest.

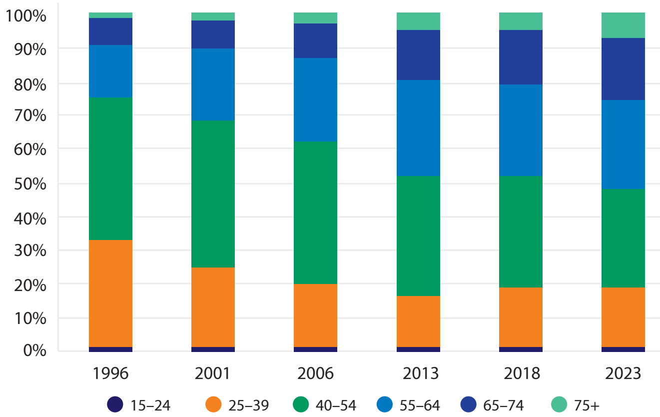
However, we do note that the Coalition Government is considering changes to the National Policy Statement for Highly Productive Land. According to media reports, this has the potential to open up a further 86,000 hectares of arable land on urban fringes for possible use as housing.[26]

Changing face of farming

Farm owners, as the saying goes, are not getting any younger. Since 1996, the proportion of farm owners aged 25–54 has steeply declined. Those aged 25–39 declined by 64% while those aged 40–54 are down by 54%. Meanwhile, the proportion aged 65 and over has sharply increased. The 65–74 age group is up by 89%, while the proportion of those aged 75+ grew by 322% between 1996 and 2023. To some extent, this follows an overall trend in ageing workforce across all industries in New Zealand.

The changes in farm owner ages demonstrate how many fewer aspiring farmers are able to get into ownership at young ages (Figure 7). This is demonstrated by the decline at ages 25–39. The decline at ages 40–54 reflects both that farm ownership is more difficult to get into and that this group is declining in size in the population generally due to population ageing.

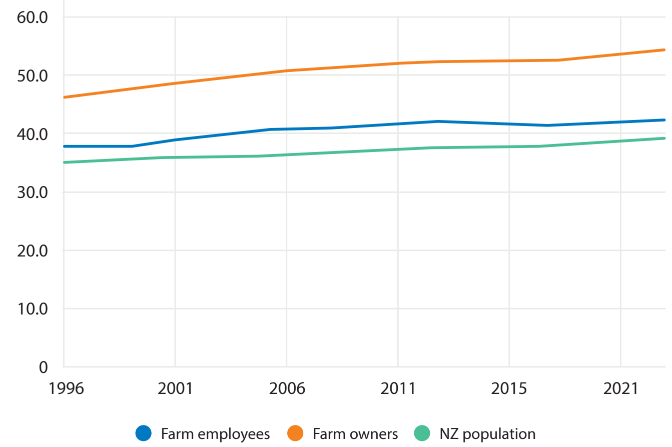
Figure 7: Farm owners by age, 1996–2023



Source: Stats NZ, Census of Population and Dwellings. Farm owners are those working as employers or self-employed without employees in the agriculture industry, as reported in the Census.

These trends show in the increasing average age of both farm employees and owners (Figure 8). The average age of farmers has increased by around six years (54.3 compared to just 48.5) since 2001. On average, farm employees are overall younger than the farm owners but still older than the New Zealand average. They also increased in average age from 35.3 to 39 over the same period.

Figure 8: Average age of farm employees and owners, 1996–2023



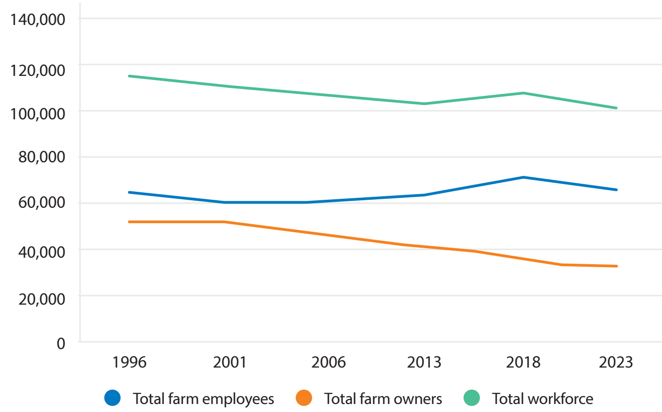
Source: Stats NZ, Census of Population and Dwellings.

Employment responsibilities

The total number of farm and orchard owners has declined markedly since the start of the century (Figure 9). There were 52,401 farm owners in 2001, and this had reduced by 36.1% to 33,477 in 2023. In this same time period, the number of farm employees increased 12.3% from 60,360 in 2001 to 67,815 in 2023. As the number of farm owners declines relative to the number of farm workers, it means that, on average, every farm owner is managing more employees. For example, the ratio of farm and orchard workers to farm and orchard owners increased from 1.26 workers per owner in 1996 to 2.03 workers per owner in 2023 (Figure 10).

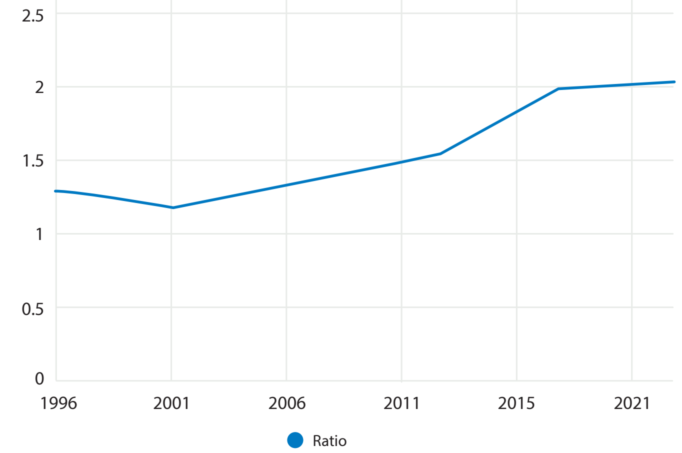
This also implies the need for more business processes such as team planning, recruitment, remuneration, induction, training, performance reviews, retention, and health and safety. This is another aspect in the ongoing 'businessification' of farming.

Figure 9: Farm workforce, 1996–2023



Source: Stats NZ, Census of Population and Dwellings.

Figure 10: Ratio of farm workers to farm owners 1996–2023

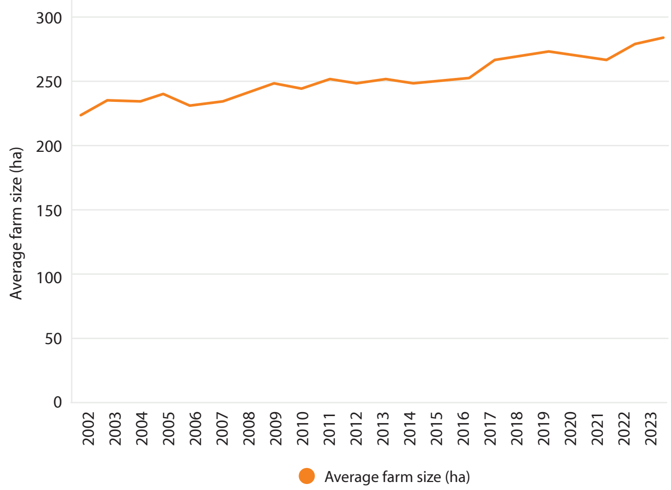


Source: Stats NZ, Census of Population and Dwellings.

Bottom lines

The trends and drivers outlined above also need to be seen in the context of numbers of farms and the total area being farmed in New Zealand. Average farm size increased by 28.5% between 2002 and 2023 (Figure 11). On average, farms are larger in terms of land area, and that also means they are larger in terms of value and larger in terms of the financial capital requirement for acquiring farms, including by young would-be farm owners.

Figure 11: Average farm size, 2002–2023

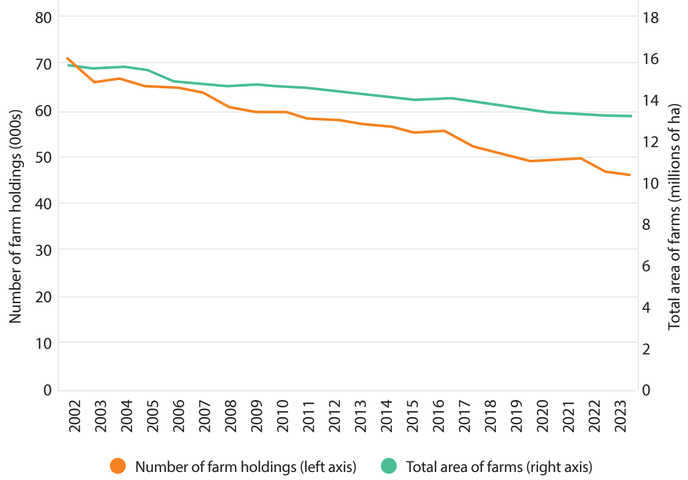


Source: Stats NZ, Agricultural Production Census/Survey.

[26] Milne, J. (2025, March 31). *Over 86,000 hectares of arable land on urban fringes to be opened up for housing.* https://newsroom.co.nz/2025/03/31/86000-hectares-of-arable-land-on-urban-fringes-to-be-opened-up-for-housing/

There's an old expression that 'they're not making any more land'. With the increasing average farm size and reducing total footprint for farming comes a commensurate reduction in the total number of farming units in New Zealand. The total area of farms has decreased 15.3% from 2002 to 2023, while the number of farm holdings has decreased 34% over the same time period (Figure 12). This reflects farm consolidations, the impacts of forestry and transfer of smaller peri-urban farm lots to urban land or lifestyle blocks.

Figure 12: Farm numbers and farm area, 2002–2023



Source: Stats NZ, Agricultural Production Census/Survey.

'Businessification' of New Zealand farming

Closely associated with this increased scale is the businessification of New Zealand farming systems. Investing larger amounts of money accelerates the financialisation of farming. It introduces the need for more sophisticated, real-time financial management such as cash flow forecasting and tax planning along with use of complex instruments such as hedging.

The layers of checks and documentation required to comply with anti-money laundering regulations alone would be a complete anathema to a farmer from 30 years ago, for whom a simple "Yeah, I know Bob and Mary" would have been sufficient to affirm a transaction.

The default narrative within New Zealand has traditionally been that this transition to corporate farming (consolidation) is inherently a backward step. In the past, corporate farming has often been associated with foreign ownership and/or working the land and animals overly hard to maximise profits to the detriment of long-term sustainability.

The trends this paper has identified in terms of the increasing scale and businessification of farm businesses coincides with a shifting and broadening of conversations on succession.

These trends have been building for several decades. As early as the mid-1990s, new forms of ownership and management structures were identified such as equity partnerships, emergence of 'mega' farms and multi-contract sharemilkers emerging alongside the traditional family farm.[27]

Businessification also has historical associations with 1980s economic reforms, which removed production subsidies and encouraged farmers to increase scale, leading to consolidation and the rise of larger corporate farms.

The period saw the rise of household names such as Landcorp (now Pāmu), Dairy Holdings and New Zealand Rural Equities, often managing large portfolios of land across different regions. There was a national debate on highly leveraged farms and foreign land sales that reflected and amplified common concerns about the scale and commercialisation of farming.

Corporatisation is an issue of interest for everyone in rural New Zealand, not just the farming families themselves. Some believe corporate owners are less likely to live on the farm, and with farm workers being more transitory, that can lead to a lost sense of community.

No doubt there will be examples where this has happened, but experience to date suggests these concerns have been mostly unfounded and that large corporates have also brought about benefits like increased efficiency and investment in advanced farming practices, not to mention high-quality jobs for people wanting to get into the industry and learn from some of the best.

The growth of corporate farms and farm consolidation is an increasingly common outcome of the changing patterns of succession in New Zealand as family farms shift to new ownership or families and neighbours pool their resources into larger entities to achieve greater synergies within their businesses.

It would be wrong to unilaterally cast corporate farming and consolidation as being inherently bad for the industry. In fact, some form of corporatisation may be the best or only way for some farming families to retain an interest in their farming business as they go through a succession process.

No longer a sunset industry

Weather forecasts can be fickle. In the late 1980s, agriculture was called out by politicians as a 'sunset industry',[28] but subsequent events have since put paid to the sunset thesis. These include the 'economic saviour' role played by New Zealand's food and agricultural exports during existential threats such as the global financial crisis (2008–2010) and COVID-19 pandemic (2020–2021). The current dairy payout in excess of $10 per kilogram of milksolids is more than a ray of sunshine.

There is change and businessification at every level of the New Zealand farming system. The family photos may have yellowed on the wall, but it is too early to call it the end of the golden weather.

One person's sunset is another person's sunrise. In the next section, we explore the green shoots promising to energise and refresh the New Zealand farming sector and the enduring lessons for more-rewarding succession transitions.

[27] Payne, T., Shadbolt, N., Dooley, E., Smeaton, D., & Gardner, J. (2007, July 15–20). *Dairy farm ownership and management structures: Focus group research* [Paper presentation]. Sixteenth International Farm Management Congress, University College Cork, Ireland. https://doi.org/10.22004/ag.econ.345412
[28] Campbell, H. (2009, March 9). *Opinion: Does farming have a future in NZ?* https://www.odt.co.nz/business/farming/opinion-does-farming-have-future-nz

CASE STUDY

"You can't just farm from Dad's diary" – the Spring Farms story

Since bravely tipping the family farms into a unique hybrid of family and corporate structures 17 years ago, 55-year-old Mark Chrystall is just as in love with farming as ever.

In 2008, Mark and wife Jane threw their lot in with Mark's brother Richard and wife Ju, along with longstanding business partners Rob and Amanda Collier.

"We jointly formed Spring Farms (NZ) Limited to create a farming operation where the model has proved itself to deliver a whole that's much greater than the sum of the parts today," says Mark.

The hybrid model means that Spring Farms only owns stock and plant, and it leases all the land from the family land-owning entities (Figure 13). Spring Farms is set up as a limited liability company, which Mark views as simpler than a trust structure when it comes to transferring equity. The operation runs around 27,500 stock units (su) on 2,768 hectares of land, spanning flat to rolling hill, medium hill and some steep hill country around 20 km east of Taihape. The Chrystall family own 65% of the enterprise and the Collier family owns 35%.

Figure 13: Spring Farms hybrid model

Operating company

Spring Farms (NZ) Ltd

Owns stock and plant
27,000 su
Shareholders agreement
Formed June 2008

Directors:
Mark Chrystall
Richard Chrystall
Rob Collier

Kawhatau Ltd

1438 ha, 13,000 su
Chrystall Family
Opaea Trust
Kawhatau Land Trust

Directors:
Mark Chrystall
Richard Chrystall

Chrystall Family Farms

4 farms, 730 ha
8,500 su capacity

Collier Farm

600 ha
6,000 su capacity

The Chrystall family story

The home farm on the Chrystall side of the equation has been in the family for more than 100 years. Mark's grandfather bought the farm in 1921 and added to it as the Depression bit in 1929.

Like many New Zealand farm stories, it's a male lineage. Ultimately, guardianship of the home farm came to Mark and his brother through their father, who was born in 1939 and took over the farm in the early 1960s.

"We were very fortunate because our parents had a philosophy to put their boys onto a debt-free farm. It didn't quite work out like that. We did have some debt, but not a huge amount," says Mark.

As was often the way at the time, there was no expectation that their sister Victoria would stay on or own and work the farm. In this case, a fair succession was enabled through the existence of off-farm investments held by Mark's mother – who had always maintained a degree of financial independence.

"Mum was a city girl – her parents owned W&R Smallbone Limited, importing cars and liquor. There's a family story about Mum's culture shock when she arrived on the farm after getting married. She and Dad went into town to do the grocery shopping. Mum threw a pound of butter in the trolley. Dad looked at it and said, 'You better buy more than that, we won't be coming into town for another month'.

"When Mum and Dad retired in 2003, it was Richard's and my turn to step up," says Mark.

By this time, Richard had around 12 years' on-farm experience under his belt, including head shepherd roles on an East Coast station and six years with Brownrigg Agriculture, where he ended up managing beef procurement. In 2006, Richard also started working for Ātihau-Whanganui Incorporation, finishing as Operations Manager in 2013/14, so with plenty of skills to bring home.

"I'd learnt enough to know that you can't just farm with Dad's diary. We're both production focused, but our biggest limitation was ourselves – we needed to upskill. Our weakest area was governance and accounts. I tackled that through a rural executive programme run by our bank. That was a true catalyst for my growth and saw us embracing a growth strategy."

Joining forces

Fuelled by this hunger for growth, they joined forces with long-term district identities Robert and Amanda Collier to set up Spring Farms in 2008.

In 2009, the brothers (with a Dutch partner taking a 60% stake) added to their holdings with the purchase of the 990 hectare Kawhatau block. They have since added a further 305 hectares in 2018 and 242 hectares in 2023, taking the Kawhatau farm to 1,438 hectares.

This was also leased into Spring Farms, and the Dutch partner later exited the investment.

In these early days of the operation, the brothers, along with the Colliers, began to forge the division of labour that powers Spring Farms today.

Mark does accounts and payroll and deals with banks, lawyers and relationships such as the fertiliser companies, while Richard leads day-to-day management on farm.

Robert's areas of speciality are strategy and the overseeing role on the Ngata farm. Spring Farms also has another four full-time employees.

"When we set up Spring Farms, we had lots of eyes on us – and people saying it wouldn't last. But we're pretty passionate about outside capital and the discipline this hybrid model brings. It emphasises family values, but pulls out the best of doing things professionally," says Mark.

The three directors, Mark, Richard and Robert, formally meet four times a year to review budgets, performance and cash flows.

"Although we are set up to have a fourth director, we have never appointed one. There's no reason for it just yet," says Mark.

The aspirations for setting up Spring Farms were to improve productivity, use economies of scale and use the company structure as a vehicle to distribute funds back to shareholders.

Mark still cites the original goals and says they are just as strong today:

- To operate a successful business in the top 2% for our chosen land classes.
- To be environmentally sustainable.
- To be able to adapt to climate change, i.e. drought-proof the business.
- To make technology our friend.
- To enjoy what we do.

Mark picks up on the last point: "I think one of the most important things in business is to enjoy what you are doing. We all have a passion for farming in this business. We very much enjoy the team environment, and by working together, we can extract the best out of everyone," he says.

Staying across the systems

Spring Farms recognises the need for effective business systems to compete as a modern farming enterprise. It's big on using data to track virtually every aspect of farm operations. It has achieved a gold standard in the New Zealand Farm Assurance Programme, won multiple environmental awards and plays an active role in local catchment protection programmes.

Outcomes and rewards

Mark reflects with satisfaction – but not complacency – on the journey since 2008.

"At the outset of this journey on the hybrid model, we had a high stocking rate, low market returns and not much scale. The enjoyment was missing. It was actually unsustainable and quite high risk due to the model relying on a precise alignment of weather and prices."

"Between 2008 and 2010, we made the moves to change the game. We changed up lamb finishing with more crops on our class 1 country, reduced our stocking rate on hill country and started using our labour much better, amongst other things."

Mark believes the scale that the business enjoys today helps with selling opportunities, alongside the strong relationships the business has built with its meat processor ANZCO.

"We have a great relationship with them. We sit down regularly and the last thing we talk about is price. We believe if there is a strong relationship there, then price will follow," he says.

"With lower stocking rates, there's less work, more flexibility in the overall system and its financially and environmentally sustainable year in, year out, which makes it a lot more enjoyable."

There's a lot of emphasis on teamwork. "Our accountant, banker, vet, agronomist, staff are all vital members of the team, and we constantly draw on their advice," says Mark.

"We like the family values of a farming business - i.e. longevity and creating the opportunity for our children to work alongside us, but also use the positives of a corporate model."

Things are coming full circle. Richard has two daughters now in their 20s – Isabella and Rosa – and Mark wonders if they will one day return to the farm alongside his own two children. 26-year-old daughter Emma has a degree in agricultural science with honours from Lincoln and now specialises in agronomy. Emma is engaged to a farmer, James Downes, and they have headed to the Kawhatau block as the fourth generation to farm the land. And then there's 21-year-old son Jack honing his farm finance knowledge in rural banking in New Plymouth. Mark sees him coming back to the farm at some stage too.

"They need to come back with a skillset – it's a long game," says Mark with smile.

Changing of the guard

State of change

In February 2025, Rabobank surveyed a representative sample of 450 farming businesses, spanning small, medium and large farming enterprises on their current state of planning for succession.

Across all respondents, 33% say their farming business has a developed and documented succession plan, while a further 17% have discussed succession with the relevant parties but nothing is documented. This leaves exactly 50% who had neither discussed succession nor commenced a succession plan.

The 33% who have discussed and documented a succession plan is weighted towards farms with annual gross on-farm income of over $1 million (where 45% have succession plans). This compares to just 22% of the smaller farming businesses, where the gross on-farm income is less than $200,000.

The survey respondents were asked to identify the most challenging issues for succession in New Zealand farming businesses.

Overall, 33% identified the most challenging issue as high entry prices or financial constraints (this was even higher among dairy farming respondents at 38%).

By contrast, 22% of the respondents identified the most challenging issue was that farming was not as attractive to the next generation.

Bringing up third place as the most challenging issue for succession was government policies (foreign investment rules, climate regulations etc.) with a solid showing at 13%.

Planning for succession – where to begin?

Successful farming enterprises all have an agreed vision of where both the family and the business will be in the future, but not all farmers have an effective business plan with an evolving strategy to achieve their long-term goals.

Succession planning is just one of many elements in the process of preparing for change – specifically in considering how and when business ownership and management may change from one generation to the next.

Simply agreeing how farm assets will be managed is hard enough without considering exactly how ownership will evolve over time, who will be involved and how it all will be financed. Clarity around future business conduct and ownership of assets needs to be established from the outset – a process requiring effective communication skills.

Other considerations that further confound the issue could include where to go for advice and the impact of other farmers' experiences ('succession war stories') as well as their own personal past succession experiences.

Viability of the family farm – can the next generation make a decent living?

Building and maintaining a viable business and understanding the financial reality of the family farm is critical. Seasonality ups and downs need to be considered together with short-term and long-term needs.

A robust balance sheet and adequate cash flow are required to ensure career goals, work opportunities and retirement goals can coexist and meet the needs of all who are financially reliant on the business before any new family members are offered the opportunity to work in the business.

Conversations around profitability can be offputting and further complicated by the strong emotional ties that accompany the intense financial scrutiny a generation's efforts are subjected to.

Navigating the seas of change

The very idea of sharing the helm – let alone seeing a change in captain or handing the whole boat over to others – can be a challenging concept for farmers. Conversely, for a new generation looking to make the career choice of entering the family business, it can be frustrating waiting to kick-start conversations around succession.

Transferring control of the farm offers an opportunity to rejuvenate the business, injecting it with fresh ideas and energy.

Part of the difficulty in transitioning leadership is the complex mix of family relationships in a business setting. Younger generations may be required to 'earn their stripes' before taking control of the business, while older generations may grapple with retaining a meaningful role.

Relationships that were once strictly family-based soon merge into working business-oriented relationships between parents and the next generation and/or sibling partnerships, with the challenge of working together effectively. People seldom hold discussions around the concept of control. If roles and responsibilities are not clearly delineated, the potential for conflict is high.

Having honest conversations

The need for honest conversations regarding business goals and family priorities lies at the heart of all challenges to succession planning.

Family relationships can be complex at the best of times. Throw into the mix discussing ownership of high-value assets – often of sentimental and family importance, with multiple parties affected – and the seas can quickly get choppy.

The fact of the matter is that families in business confront much greater communication challenges than those that exist in ordinary non-family business relationships. If poorly navigated, the consequences can be grim, and family cohesion and the business structure can be damaged.

Managing expectations of all family members early on is paramount to a successful succession outcome, yet ensuing discussions can be daunting when there are multiple family members to involve, with different aspirations, as well as the sensitive issue of 'fairness' to address.

Benefits of tackling succession early

Early communication of expectations

Rather than waiting for external circumstances to dictate the timing or the outcome, succession discussions, with the assistance of external facilitators, can help family members understand each party's perspectives and goals by opening the lines of communication.

When dealing with the concept of 'fairness' for children (both on farm and off farm), expressing differing perspectives at an early stage is imperative – especially in the setting of high land value and relatively low cash flows from the farm.

Communication is the key building block to the entire succession planning process, and clarity on any terms and conditions that apply to opportunities provided through the farming business needs to be understood and documented.

Open communication, which includes constructive management of disagreements, ultimately assists with family buy-in for the succession strategy and benefits family relationships – a key priority in any family business.

More opportunities available and managing risk

Tackling succession head on creates more opportunities for both the business and for family members. Families that start the succession planning journey early can develop clear, evolving business strategies and can plan ahead more effectively. Potential ventures to grow the business can be created through new enterprises such as leasing, contracting or sharefarming.

Alternatively, off-farm investment ideas or creating space for another family member can be investigated, which allows opportunity for all family members to take on risk as well as reap rewards for effort.

Furthermore, planning for unexpected events such as death, injury and divorce can be managed by way of succession discussions. Early conversations can remove uncertainty by defining how the business will manage in the case of an unforeseen event. This is essential in order to maintain business viability and continuity after the loss or exit of a family member.

Looking after the current generation

Proactive planning makes the easing-back process for current farmers significantly easier as the next generation takes on additional responsibility and risk. A staged ownership transition assists with defining a new role for the current generation while preserving their self-worth and making use of their experience.

These factors aid in the adjustment phase that accompanies current farmers and allows the younger generation to take control, and they can help to mitigate business risk. Setting aside time to receive independent advice helps to comprehend business and legal structures as well as providing processes to translate the family's goals into actions and strategies. Leaving succession to chance at a later stage increases potential conflicts within family relationships.

Keeping the next generation interested in agriculture

Opportunities created from planned business strategies allow pathways for the next generation in agriculture such as sharefarming, leasing arrangements, family loans or equity partnerships, and they create the building blocks of equity and experience for the next generation.

Having skin in the game demonstrates commitment and generates additional motivation for new farmers along with creating new options to expand the business. A win-win situation can arise for both parties – creating a role for the next generation in the family business can bring about a sense of achievement. A sense of value for the current generation is retained, and it provides the legacy of the family farm to the next generation.

Getting on to it – leaning into the succession conversation

With just over half of all current farm and orchard owners set to reach or pass retirement age in the next 10 years, a changing of the guard is coming for the sector. It amounts to the need for more than 17,000 succession processes and the myriad of succession conversations involved in each.

This paper canvasses the deep emotional connections generated by a lifetime on the land and the passions that can be unleashed when it comes time to move to the next phase. The historical 'gold standard' has been that one of the kids will take over the farm. However changing demographics with older farmers, fewer children and the underlying divergence associated with capital values rising faster than agricultural employee income have intensified the issues. Farm and orchard owners need to be open to new ways as farming and orcharding units continue to consolidate, including hybrid and ownership structures and sometimes involving the next generation owning a smaller part of a larger pie.

These new structures may also offer the scale and capability sets to meet the heightened business disciplines required for farming in a highly regulated and financialised sector.

Rabobank's research has identified that only a third of farmers from a representative sample are ready to face the future with formal succession plans in place. Through this paper and the conversations it sparks, Rabobank will continue to generate awareness of this issue and continue to provide our farming and orcharding clients with products and tools to meet the challenges.

It is certainly no surprise that some people drag the chain when it comes to succession on the family farm or orchard. At the end of another month of another changing season, it's tempting to leave the succession conversation where it sits most comfortably – in the too-hard basket.

However, simply delaying succession conversations and hoping for the best is an increasingly risky strategy for the business and family unit.

Delay in itself becomes a problem in that, the more time that passes, the more succession options become restricted, further exacerbating stresses and difficulties in the family.

The good news is that the best time to begin succession planning is right now. As a process of change, succession can sometimes be slow moving so it pays to take the first steps sooner rather than later. It's always worth reflecting that succession is coming ready or not.

- **Orderly succession isn't an accident:** It requires a plan. It actually needs a family commitment to plan to plan, create the plan and execute the plan. The right people need to be around the table to drive the plan.
- **Honesty goes a long way:** Honesty around the performance of the farming business and its ability to sustain new debt and generate cash flow. This means honesty about who can afford what and when, and honesty about the next generation's capability and readiness to step up.
- **Control is not a dirty word:** Control is not a fashionable term any more – but it pays to be clear about who holds control now and how the settings will change and when.
- **Skin in the game:** Experience trumps theory when it comes to farming. There's no substitute for creating an on-ramp for the emerging generation to have a share of experience, not just a share of equity.
- **Care and respect makes the difference:** All the parties in the succession conversation deserve care and respect – both the current generation and the emerging generation. Done right, succession can literally be life-fulfilling. Potshots across the generational divide do no one any favours.
- **It's later than you think:** Numerous international studies show a bias for farmers to hold on longer than may be good for them.[29] Starting early on the succession conversation is the best way to maximise options and ensure a game plan is in place if the unexpected happens.

Most importantly, there's no one right answer for every farming business – there are as many approaches to succession as there are farms in New Zealand. As a sector, we need to be open to considering and innovating new models to ease the way for the next generation into farming on fair terms and ensure Kiwi farming families keep the connection to their land and heritage. These new models and innovations will be the focus of our 2026 white paper.

[29] See for example: Errington, A. (2002, August 28–31). *Handing over the reins: A comparative study of intergenerational farm transfers in England, France and Canada* [Paper presentation]. European Association of Agricultural Economists Congress, Zaragoza, Spain. https://doi.org/10.22004/ag.econ.24905; Fletcher, C. M., Stewart, L., & Gunn, K. M. (2023). *Stressors, barriers and facilitators faced by Australian farmers when transitioning to retirement: A scoping review*. International Journal of Environmental Research and Public Health, 20(3), 2588. https://doi.org/10.3390/ijerph20032588

CASE STUDY

Always grow the pie – the Templeton family story

Sharing a 6 kilometre boundary with Foveaux Strait, the bracing winds mean there's no chance of cobwebs growing on the Templeton brothers' Southland dairy operation.

But for 33-year-old Peter Templeton and his engineering-trained brother Luke, the journey to farm ownership did mean absorbing 100+ years of history of Templetons on the farm.

Today, Peter and partner Emma are milking 700 cows on 217 hectares with a 60-bail rotary shed, and Luke and wife Jen are on the neighbouring 217 hectare block and also milking around 700 cows through their newer 60-bail rotary shed.

In 1908, the brothers' great-great-grandfather set up a flax milling operation on a narrow coastal strip of government lease. As we say in today's language, it failed fast.

In 1953, all the farming and milling operations landed in the lap of their grandfather Desmond, who left school at 13 to run the show while his father and uncle were away at war.

Passing the baton

It was Desmond who came up with the 25-year rule, which has since become a firm part of family lore for the Templetons: you get 25 years in charge of the cheque book.

"I've done too long on this farm, I've done more than my 25 years because the opportunity came to me early. I'm now taking years away from you and I need you to come onto this farm and take some more risks," were Desmond's words to his sons Vaughan and Euan (the brothers' father and uncle).

Desmond visualised the farm as a 'vehicle' to guide families over time and be there as the support unit. He told Vaughan and Euan to "keep pushing the boundaries of what the land can do".

In 1986, Euan bought The Run from Desmond – the largest but least productive part of the farm – and Vaughan followed suit a couple of years later by buying the home block part of the farm.

"So Dad did all the development on his side, and my Uncle Euan did all the development on his side of the farm. That was just the way it ended up working," says Peter.

Tough conversations

Young Peter Templeton was 12 by now. He recalled these as very tough, lean years for his family.

"My parents always told me from a young age that I was clearly the farmer of the family, but I didn't see it. I was trying hard to go down the engineering route. But as soon as I went to town, I realised, oh, I really love farming.

"I was really interested in fast progression and signed up for a Bachelor of Agricultural Science at Lincoln University in 2008. Ironically it was the same degree and university as my father did," Peter laughs.

"On my 21st birthday, we had a conversation. Apparently, my parents had been alluding to this for a long time, but I didn't realise. And on my 21st birthday, I more or less got bombarded. When are you coming back to the farm, you're just about to graduate university? We need you back here.

"And the answer from me was a very resounding 'no' at that point."

Peter's priorities were to go travelling and also get experience with other farming systems.

"So that was quite a shock to my parents and they went back to the drawing board.

"Dad was starting to look at his time, like he's nearly got to his 25 years. He's trying to settle up for the future and wanted to know if I was keen, because they were ready to start looking for the next thing. They were feeling like they were just treading water."

At this point, Peter's parents sat down with Tony Hammington – a succession management consultant from Invercargill who worked on behalf of Rabobank.

It was a rough start as Tony pressed Megan and Vaughan on what's important.

"My father, and especially my mother, really struggled with what their identity was outside of farming. They spent three months talking with Tony."

After some serious digging to get to the personal goals beneath the farm goals, Tony brought the sons Peter and Luke back into the conversation with their parents.

Change of heart

At that initial meeting, for the first time, Luke let it out that he wanted to have a go at the farm.

"It was a shock moment for me. I tried to hide it, but I don't have a great face for hiding emotions, and at the same time, my parents are saying that they are done with farming. They said, look, we think we've got one or two years left in us and we've run out of love for this," says Peter.

"I just went into my shell and went off to focus on my own thing."

Tony Hammington was soon on the blower telling Peter he needed to open his mind.

"He's like, because you closed down, you didn't listen to any of the other opportunity. You're coming back down for another meeting. This is gonna happen."

Sitting around a proper corporate table, the second meeting was a far better discussion. It was about a month and a half later, and we'd all had time to reflect. My parents repeated what they really wanted was to bring both boys back onto the farm and split the farm in half. But I hadn't heard it the first time around," says Peter.

It took three more formal meetings over nine months to bash out the agreed plan.

In 2015, they stopped just talking about it and started acquiring a bit more land – another 47 hectares.

"Everything on each farm was exactly the same. Our parents made the call so there was no competition. There's no saying who got a better deal. My father said this is my word, this is final, there's going to be zero argument."

Amazingly, both brothers had exactly 217 hectares of actual dairying land.

In mid-2020, after six seasons as sharemilkers, the brothers started applying to try and buy the farm outright, and in August 2023, they finally got the banks to give the OK.

By 2017, the succession board had evolved into a farm advisory board consisting of the boys, the parents, a Department of Conservation person and a manager from Rabobank to help set up good budgeting discipline.

Knowing which hat to wear

"To help with these conversations, we visualise it like we physically have two hats – you have what we have called a 'personal hat' or a 'family hat'," says Peter.

"You have to stop yourself and realise which hat you are wearing right now. That sounds silly, but it's really helpful because you ask yourself what's for the betterment of everybody and our family through the sole succession thing. Our whole motto was how do we grow the pie?"

"We basically work together as like a buying group between me and my brother."

After the family reaches consensus, Peter says that new partners coming into the family can bring a new dynamic.

"It is going to be complex – us having our first baby on the way, getting engaged. It's the fracture point of any succession. Everyone always says that because it's a different point of view puts the most pressure on the family structure, and they're just as terrified to think that they themselves are the problem."

Peter has inherited a strong view that there are three sequential stages of change you need to go through to achieve succession and the order of these is important.

The first part is a change of work or physical workload, the second part is a change of financial decision making and the third is a change of equity and ownership and associated returns.

"In New Zealand, people often try and change equity and ownership before they're making financial decisions. If we can find a way to bring the financial decision making forward so you can both benefit, that's good for positioning of the farm business and of the individuals.

"It's relatively unheard of, but I had full access to win and lose. I had full opportunity at age 25 to make us go broke. The system we have at the moment makes it feel like one side wins and the other side has to lose."

It's a topic that Peter's passionate about – he's dedicated his Nuffield Scholarship to a search for answers.

"Succession is a 10-year process. The fastest I ever heard of was eight years. 10 to 15 years is normal. It's even harder when the capital value is higher.

"I think it takes 10 years of business forming, 10 years of business norming. That's when you get to make the most of it. And the last five to seven years is really based around what's next, the next generation, what am I setting up for?

"For 99% of farms, the transition or succession process is the biggest single financial transaction a farm will ever go through. If we view it like this, we'd seek a lot more external help. But because it's family, we all keep it super closed in.

"We have to accept this is a big transaction. So therefore, external helpers have to be able to take a cut of the proceeds. That way, we would get successful transition stories more than half the time. I feel like we're getting that 30% of the time now. It's the cheapest money we ever spend if you get this right.

"I'm personally prepared for this to be the last generation of Templetons here. I hope to be a lot more transparent around what the risks and opportunities are and do everything in my power to convince them not to want to come back. However, I'd love for the sixth generation to want to choose this life – I don't want it to be a requirement."

About the study

Rabobank New Zealand thanks the University of Waikato research team of Professor Michael Cameron (research lead), Professor Frank Scrimgeour, Gemma Piercy-Cameron and Kalpani Vidanagamage for data gathering and analysis to support this paper.

Quantitative data and analysis

Quantitative data was drawn from a variety of sources, including:

- Stats NZ Agricultural Production Census/Survey (farm numbers and farm area)
- Stats NZ Census of Population and Dwellings (agricultural worker and farm owner demographics)
- Stats NZ Integrated Data Infrastructure, Administrative Population Census, with income data from Inland Revenue tax records (agricultural worker and farm owner incomes)
- Stats NZ Household Labour Force Survey (median income)
- Federated Farmers and Rabobank, Remuneration Survey (farm worker salaries and total package value)
- Ministry for the Environment, LUCAS New Zealand Land Use Map 2020 v003 (land use)
- Overseas Investment Office, Land Information New Zealand (numbers of OIO applications and land area)
- Stats NZ Integrated Data Infrastructure, Ministry of Education (education data)
- REINZ Rural Land Index.

Definitions of key variables and caveats on their interpretations are included adjacent to key graphs and data points throughout the report.

The graphs and data provided by the University of Waikato are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI), which is carefully managed by Stats NZ. For more information about the IDI, please visit www.stats.govt.nz/integrated-data/.

In part, the charts and data are also based on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes and is not related to the data's ability to support Inland Revenue's core operational requirements.

Most data was graphed in raw form in time series graphs. Some graphs involved simple constructed variables (weighted averages, ratios etc.) constructed from other data included in the report. This included average farm size, ratio of farm workers to farm owners and average age.

Data projections

Data for some variables was projected forward to 2043 or 2044. However, not all variables were projected because only some variables that have long-run stable trajectories are amenable to projection. Variables that lack such long-run stable trajectories cannot be projected with any reliability so we did not conduct projections of those variables. The projected variables include farm numbers and farm area, demographic variables and land use. The simple projections are based on a log-linear time series regression, bias-corrected to match the most recent year of observed data. Where a projection would otherwise fall to zero, a log-log time series regression was applied instead.

Qualitative data and analysis

The University of Waikato hosted two small online focus groups with young people (aged 18 years and over). Potential participants were invited through New Zealand Young Farmers. Focus groups were recorded and transcribed. Qualitative data was then analysed to identify key narratives that support and/or supplement and/or challenge the descriptive results from the quantitative analysis. Key quotes were extracted from the transcripts to illustrate the identified narratives. All quotes are presented to protect the identities of the research participants.

Ethical approval

Ethical approval for this research was granted by the Waikato Management School Ethics Committee, application number 24/230.

Working together to make it happen

Rabobank New Zealand is a part of the global Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank was set up in the Netherlands over 125 years ago as a cooperative – by farmers, for farmers. Today, it operates in 35 countries and services the needs of clients through a network of more than 49,000 employees. As New Zealand's only specialist food and agribusiness bank, Rabobank New Zealand has a focus on supporting Kiwi farmers, growers and food producers. Our 550-strong team works from 27 offices across New Zealand and is deeply committed to the communities where they live and work.

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