

Supporting farm families in making
decisions on succession and
inheritance:
An Irish perspective on policies and
support programmes

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Definitions

Succession

The gradual transfer of the *MANAGEMENT* of the farm assets from one generation to the next

Inheritance

The legal transfer of the *OWNERSHIP* of the farm assets from one generation to the next

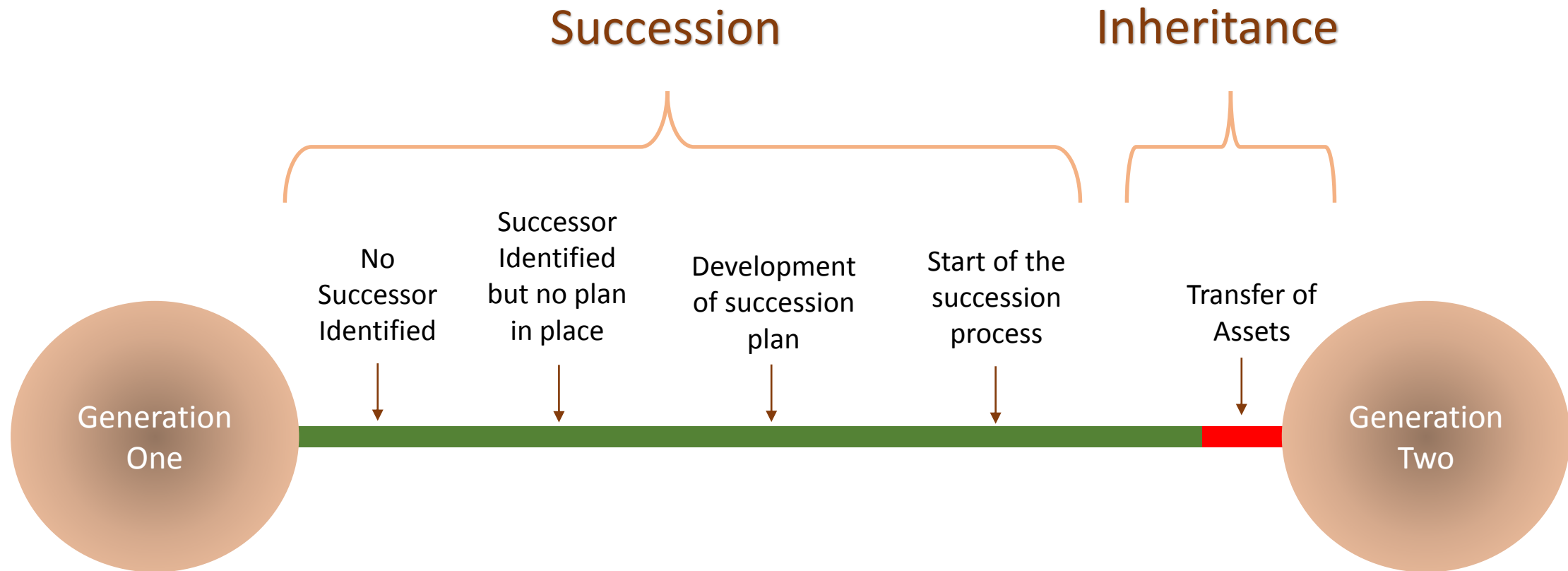
Farm Transfer

The process of Succession and Inheritance combined

Retirement

Withdrawal from the physical labour/managerial control of the farm

Farm Transfer



Outline

- Ireland in Context
- Farm Succession
- Agricultural Policy
- Agricultural Taxation
- Initiatives
 - Farm Succession & Transfer Guide
 - The Land Mobility Service

Ireland

Ireland is a grass based farming system with 80% in grassland compared to 40% in Europe

Agri-food sector is very important to Ireland providing 8.5% of total employment in 2015 and €10.5bn of exports in 2014

99.8% of farms are family farms

Land leasing in Ireland is on a system of conacre (11 month leases)



98% of Irish farms are owned by Men

Average farm size 88 acres in 2014

Average farm incomes in 2014
€26,947

In 2014 subsidy payments
accounted for 70% of income

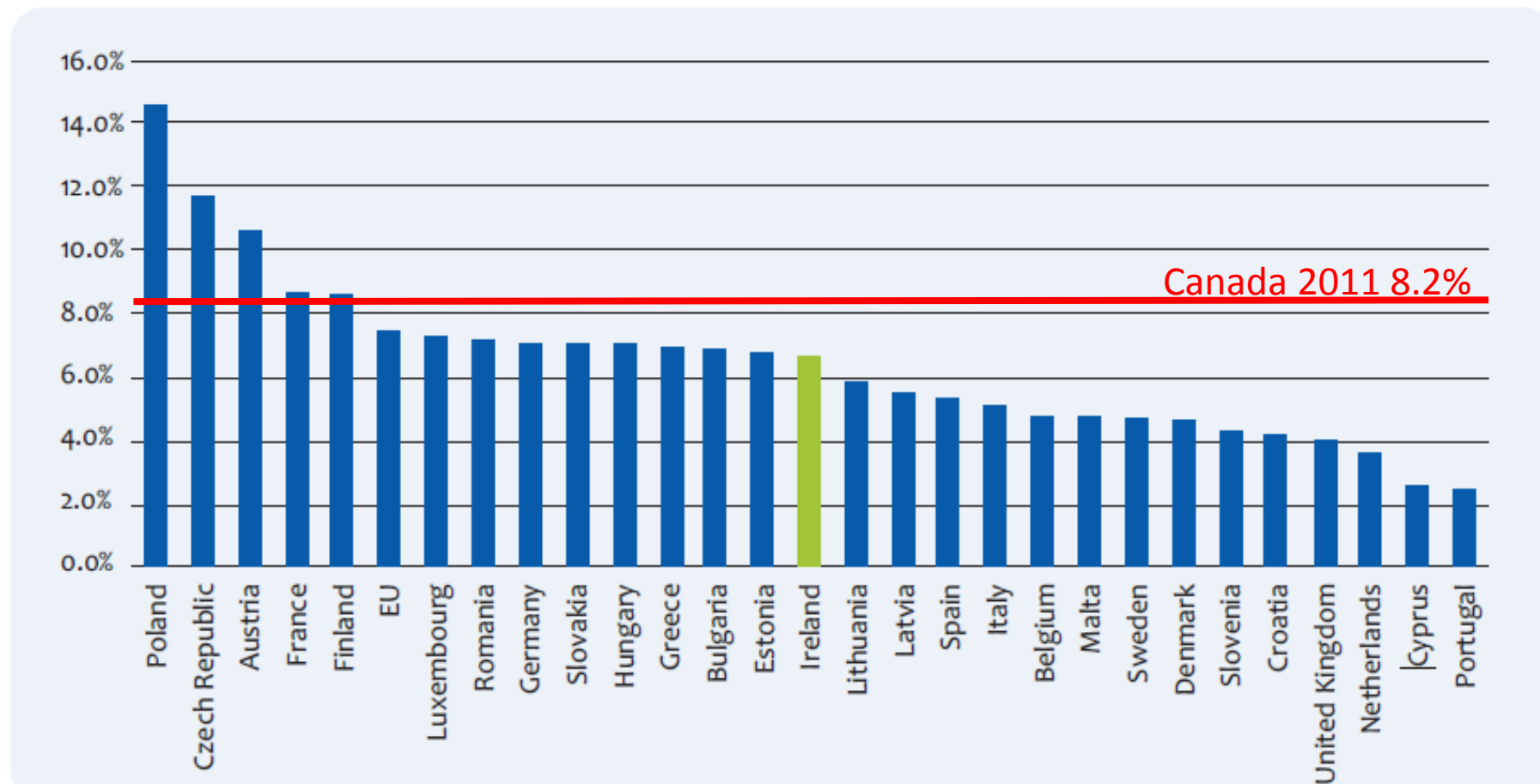
Issue

- Ireland
 - Currently only 6.2% of farm holders under the age of 35
 - 24.9% of farm holders over the age of 65
- Europe
 - 6.8% of farm holders under the age of 35
 - 34.1% of farm holders over the age of 65
- Farm holder age has been decreasing for the last 10 years
- 48% of Irish farmers did not have a successor identified (2014)

Issue

Figure 4.2

Percentage of Farm Holders under 35, 2010

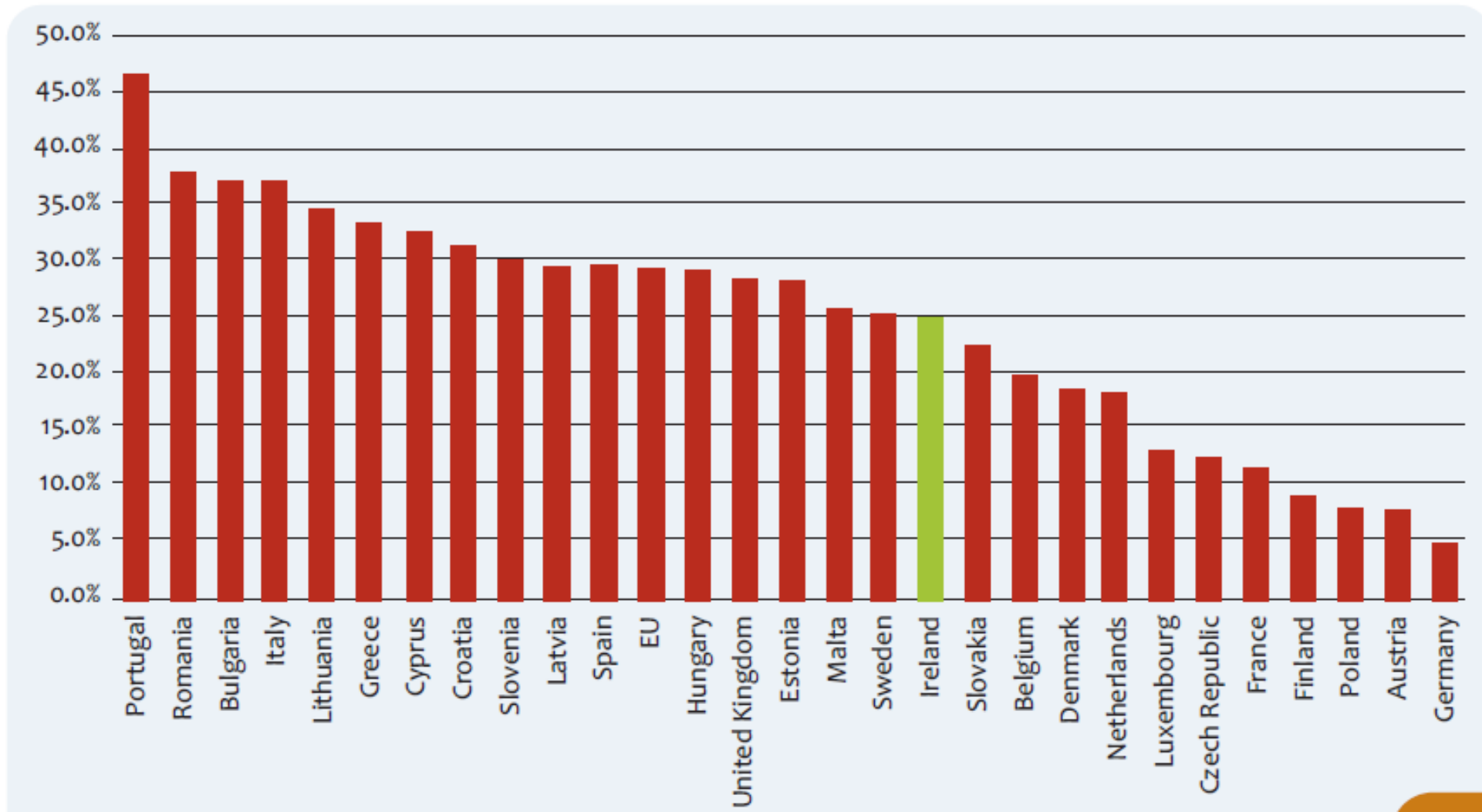


Source: Eurostat

Issue

Figure 4.3

Percentage of Farm Holders over 65, 2010



Issue

- **Is there an Issue??**

Farm Holder V *Farm Operator*



Farmers have a high level of attachment to the farm

Traditionally land in Ireland is transferred on death through Inheritance



There is a short ownership period for the farmer

- **Communication**
- **Lack of Information**
- **Lack of understanding around succession (New Concept)**

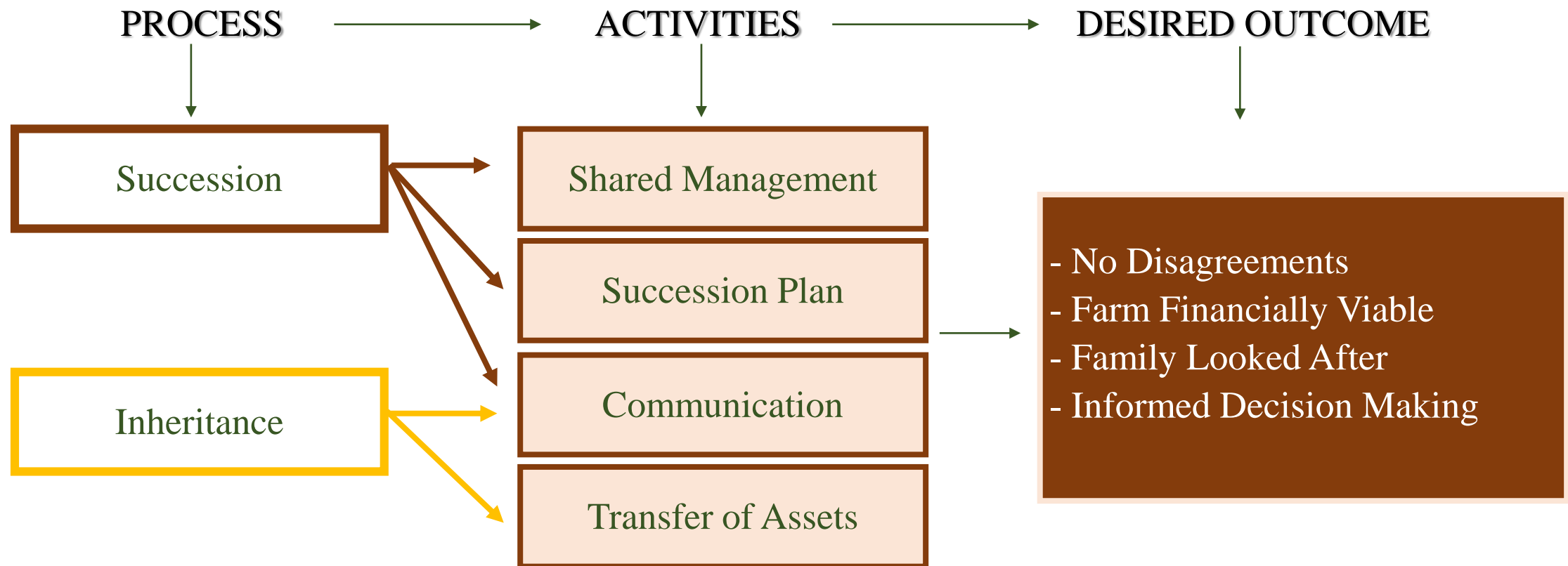
Communication

Fairness / Equity

**Financial &
Emotional
Security**

Successors Viability

Succession v Inheritance



Succession

Gradual transfer of management

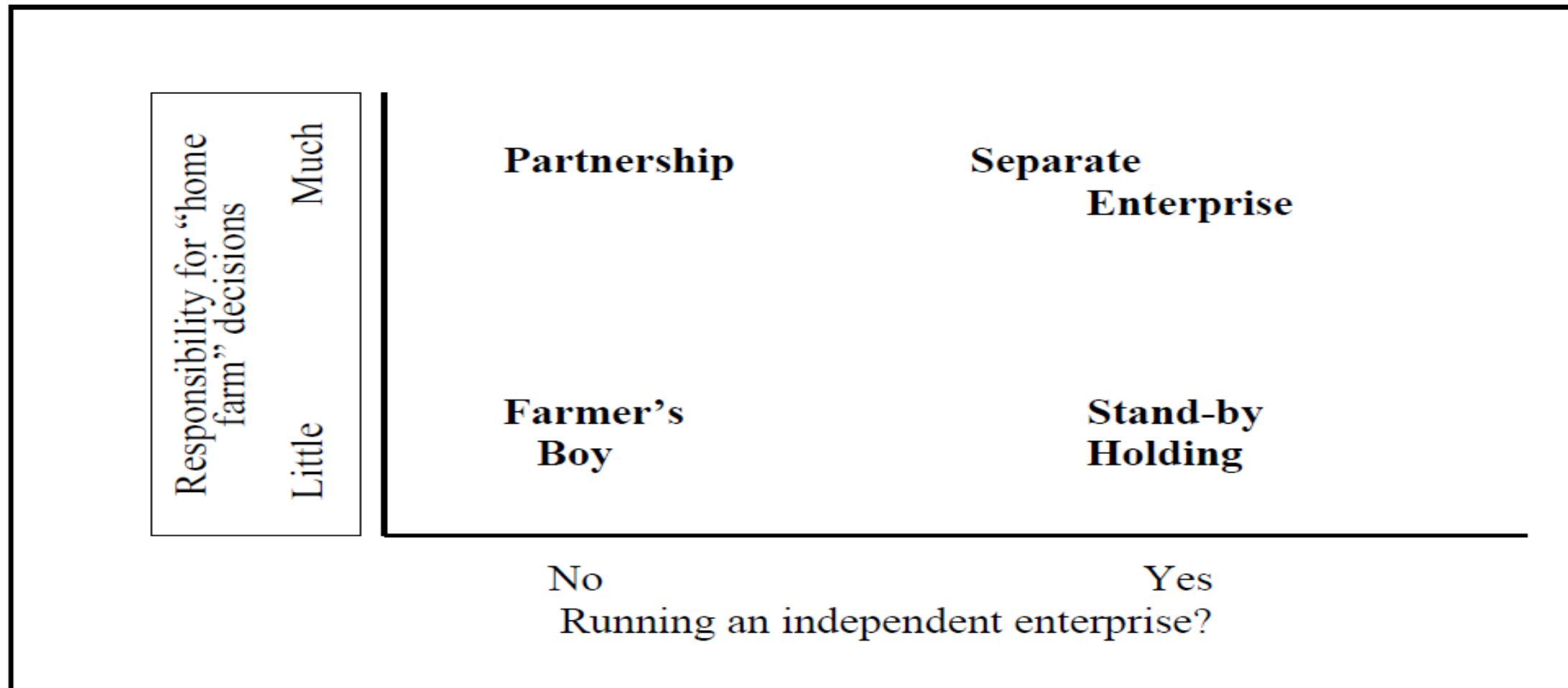
Succession Process

“The actions and events that lead to the transition of leadership from one family member to another in family firms. (Sharma *et al*, 2001)”

- When the successor is identified and the succession process is started there are two distinctions
 1. Level of responsibility that the successor is given
 2. Ability of the successor to run an independent enterprise

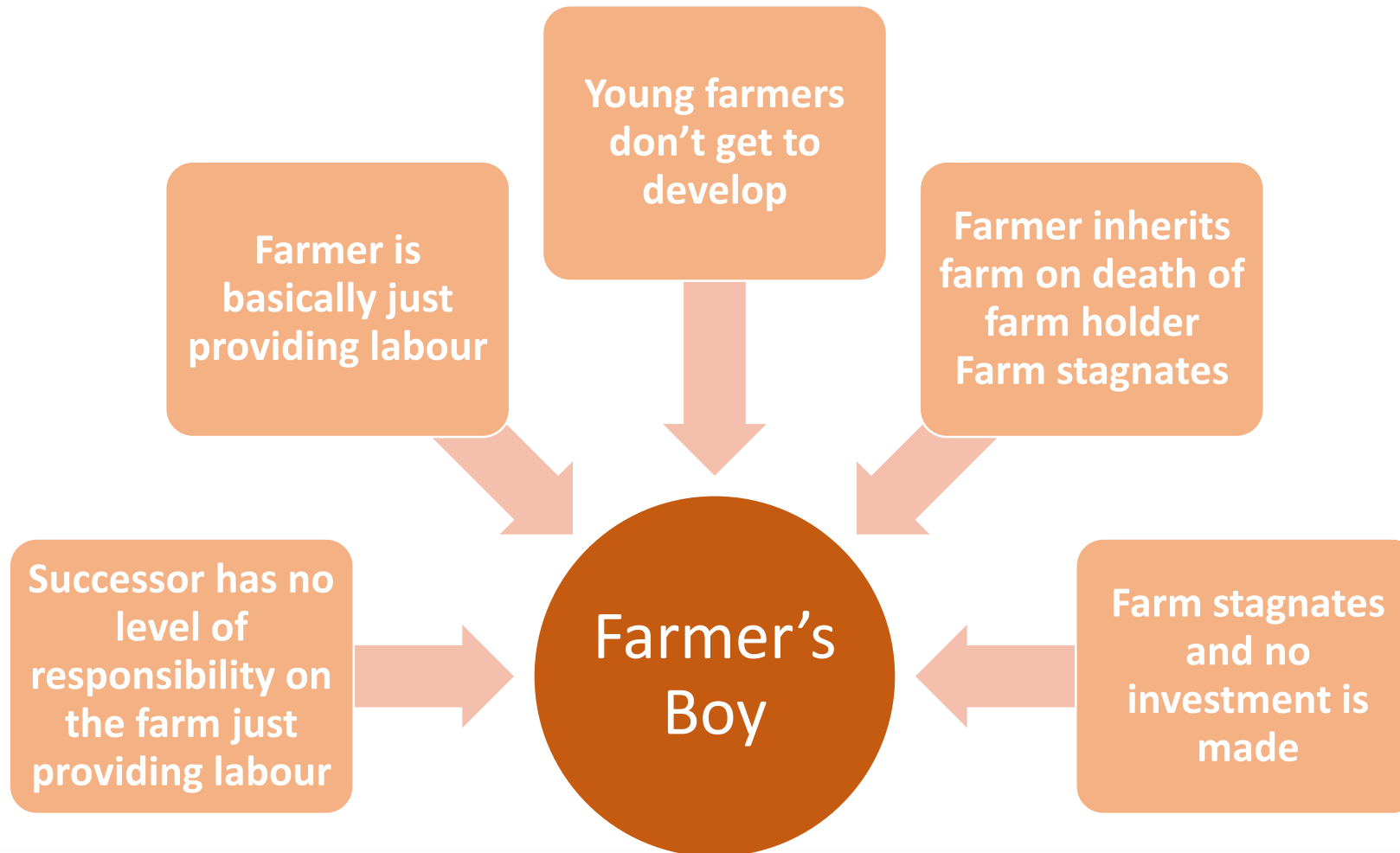


Succession Process

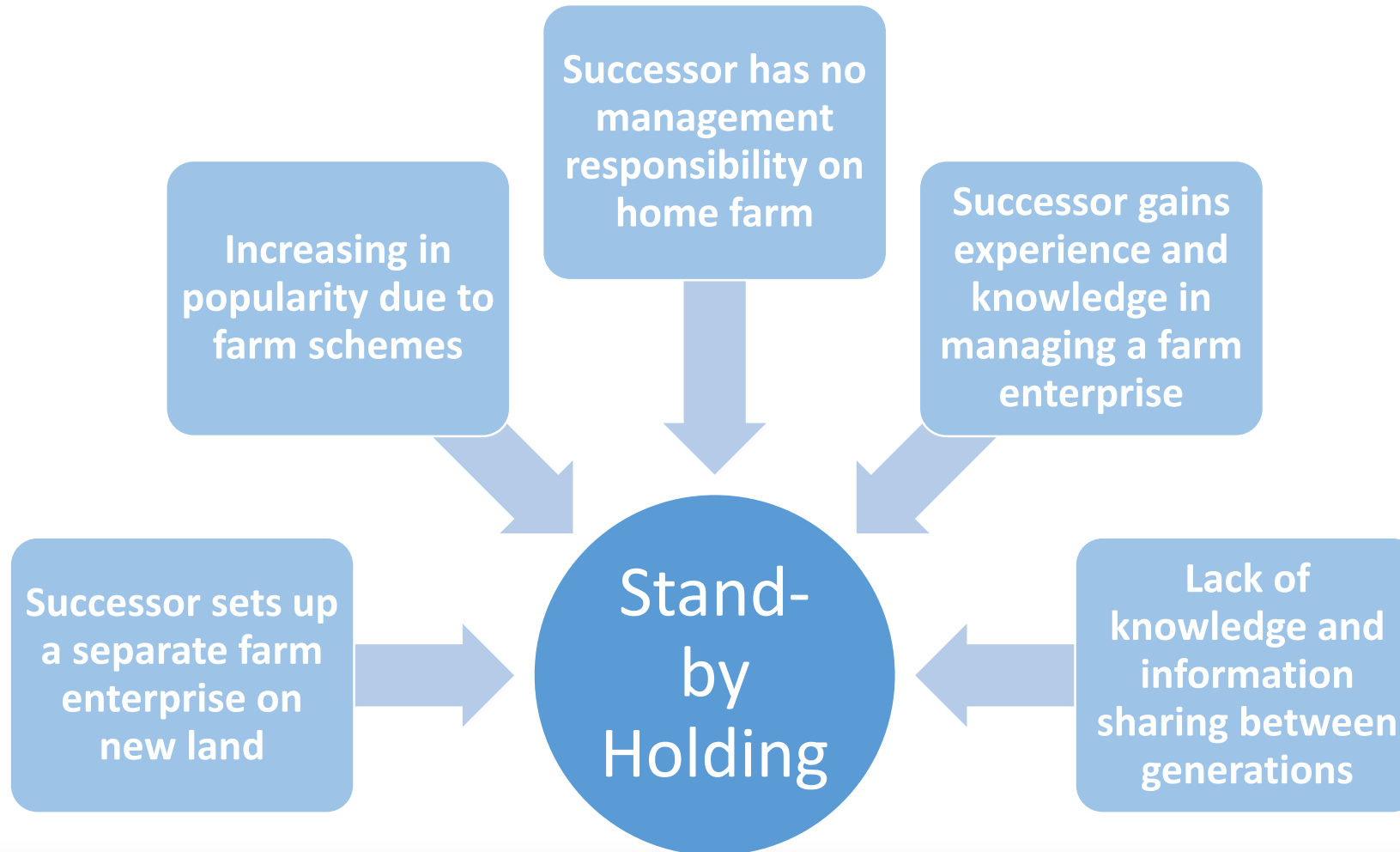


Source: (Gasson & Errington, The Farm Family Business, 1993, p. 204)

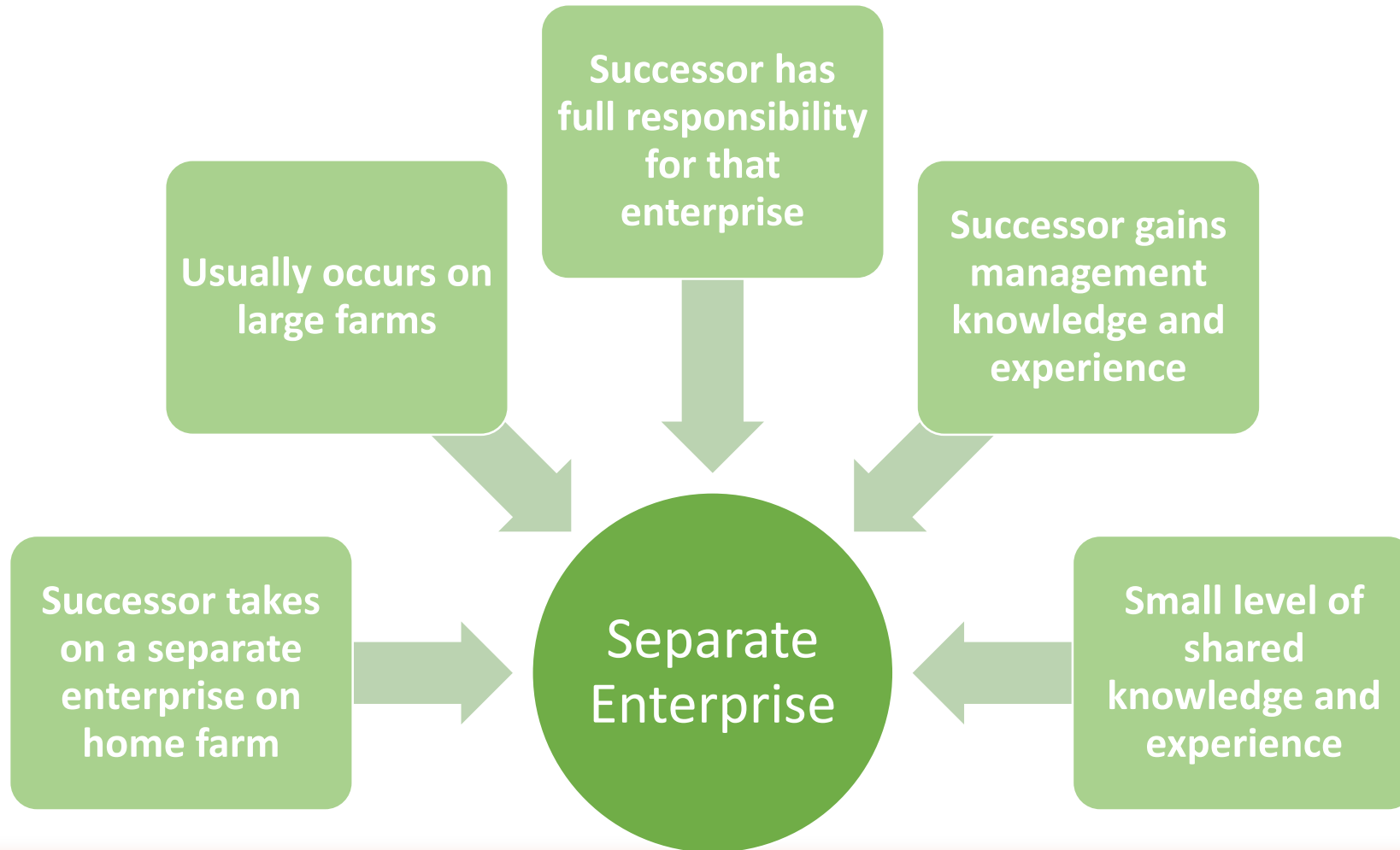
Succession Process



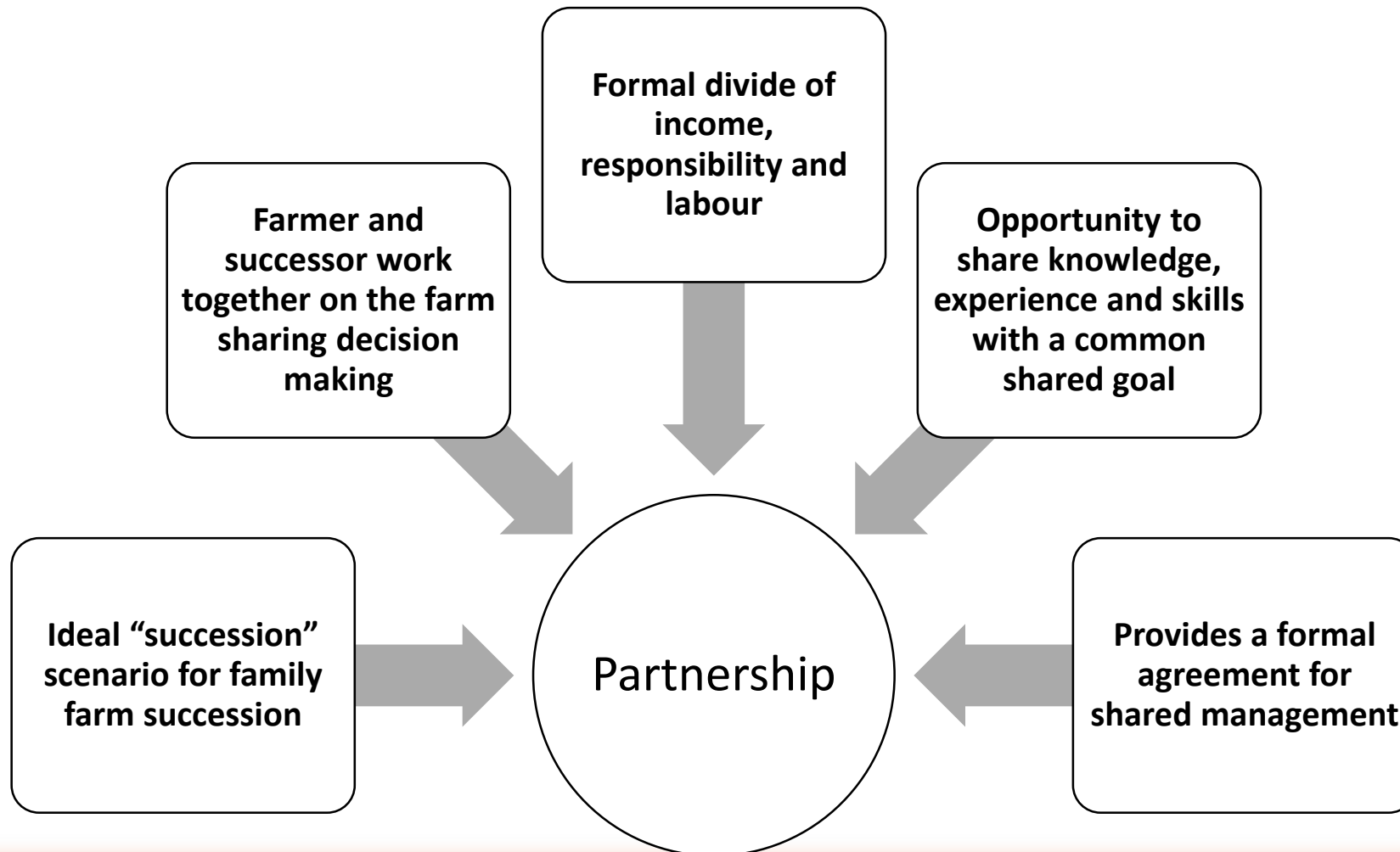
Succession Process



Succession Process



Succession Process



Succession Ladder



Financial – Having the cheque book

Marketing - Decide when to sell

Strategic – Long Term Planning

Technical – Day to Day Running

Succession Ladder

Practical Jobs (Technical)

Deciding how to do specific jobs
Plan day to day work
Register Calves Online
Livestock management

Farm Planning(Strategic)

Make annual crop/livestock plans
Decide mix & type of enterprise in the long term
Decide type & make of machinery and equipment
Decide amount and quality of work

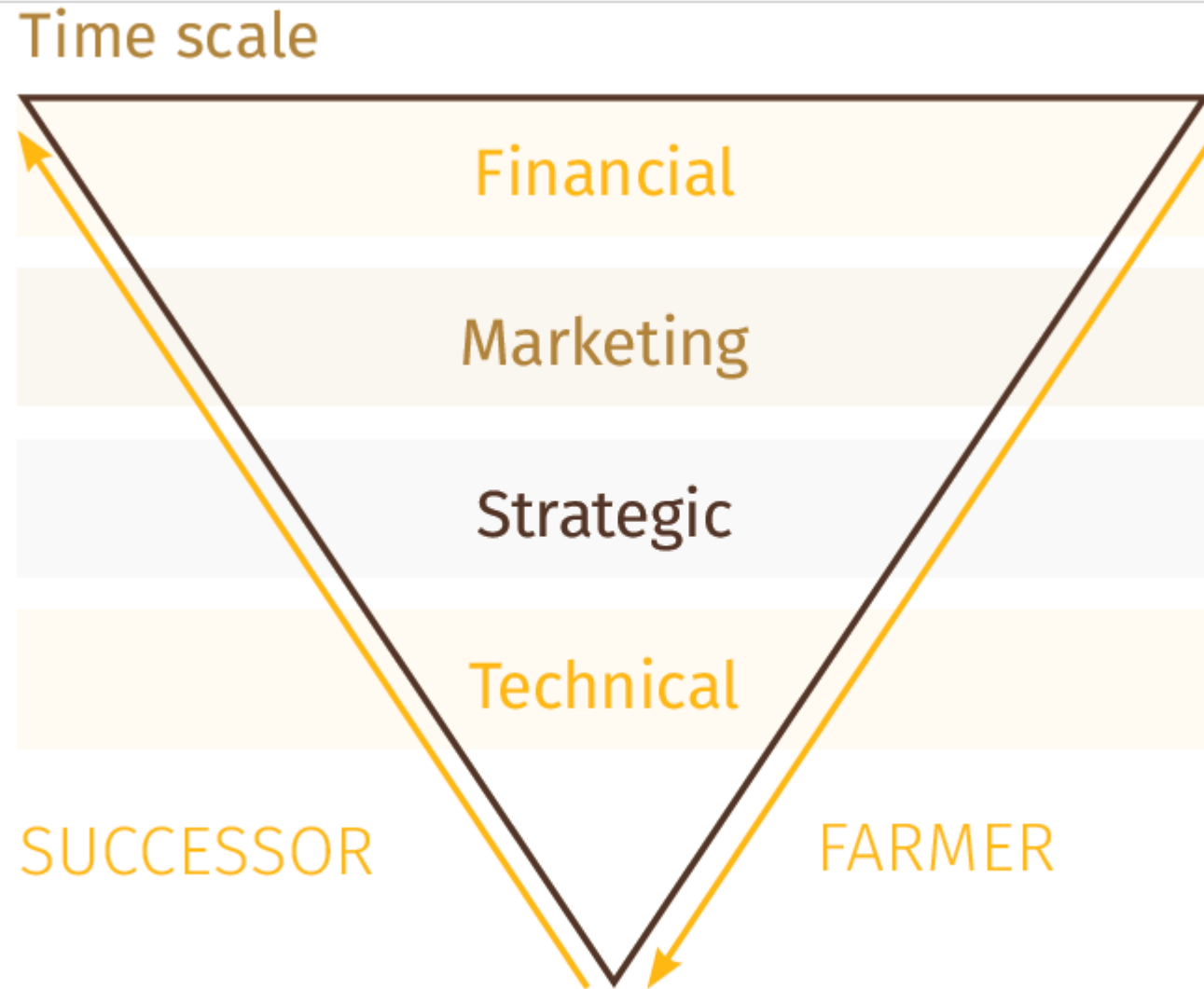
Sales and Purchases (Marketing)

Decide when to sell livestock/ crops
Negotiate Sales and Purchase of livestock

Farm Accounts (Financial)

Decide when to pay bills
Decide and plan capital projects
Identify and source finance
Keep and manage farm accounts

Succession Ladder



Agricultural Policy

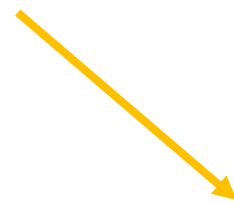
Agricultural Policy



European Union



European Commission Directorate-
General for Agricultural and Rural
Development



**Common Agricultural
Policy (CAP)**



Irish Government



Department of Agriculture,
Food & Marine



Department of Finance



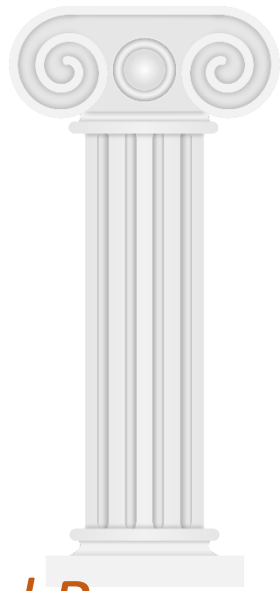
Taxation Policy

Young Trained Farmer

Department of Finance	Department of Agriculture, Food & Marine
Under 35 years of age	Under 40 years of age
Accepted Agricultural Qualification	Accepted Agricultural Qualification
	Setting up holding for the first time or in the first 5 years of farming

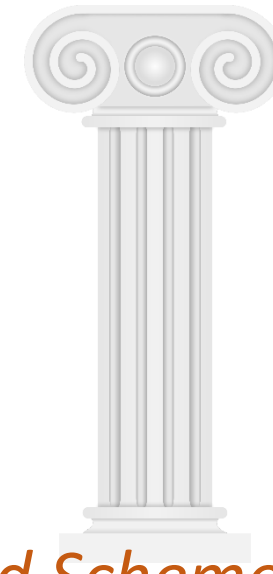
CAP in Ireland – Succession & Inheritance

Pillar 1 – Direct Payments



*National Reserve Scheme
Young Farmer Top Up Scheme*

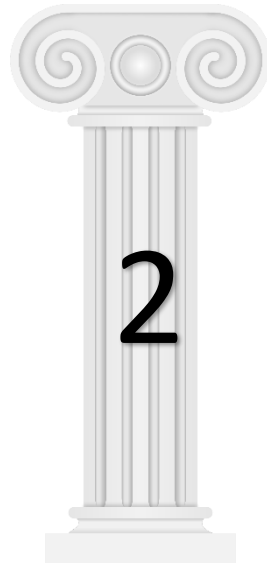
Pillar 2 – Rural Development Programme



*Installation Aid Scheme
Early Retirement Scheme
Young Farmer's Capital Investment Scheme*

CAP in Ireland – Succession & Inheritance

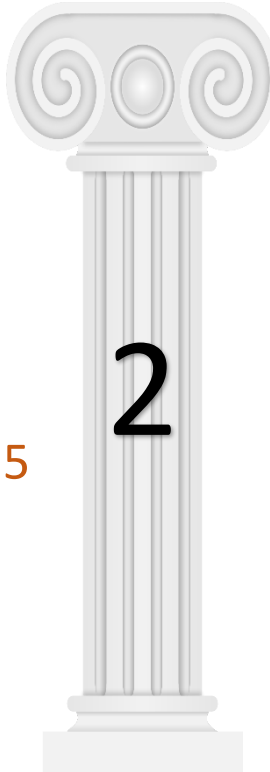
Pillar 2



Rural Development Programme

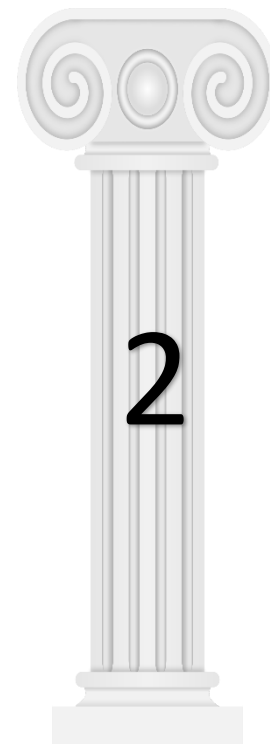
Early Retirement Scheme

- Introduced in 1992
- If they qualified the farmer would receive up to €15,000/yr depending on amount of land
- To qualify for the scheme farmers:
 - Must have been between the age of 55 and 65
 - Had farming as their main occupation for the previous 10 years
 - Retire from farming definitively and transfer their farm by gift, sale or lease (minimum 5 years) to a qualified young farmer
- Scheme was suspended in October 2008



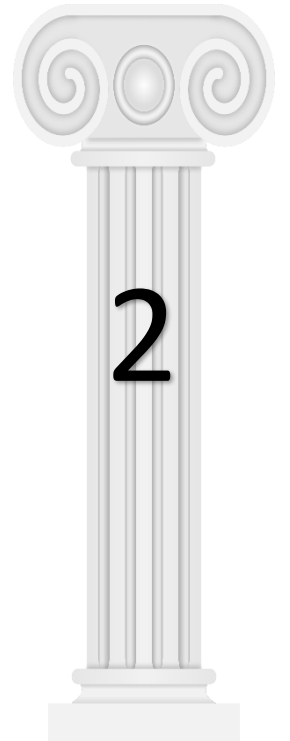
Young Farmers' Installation Aid Scheme

- Introduced to complement the Early Retirement Scheme
- Began in January 1995
- Young farmers received a payment of €15,000
- To qualify for the scheme a young farmer had:
 - Be over 18 and under 35 at the time of set up as a farmer
 - Hold the legal freehold or leasehold title
 - Hold the required minimum level of agricultural qualification
- Suspended in October 2008



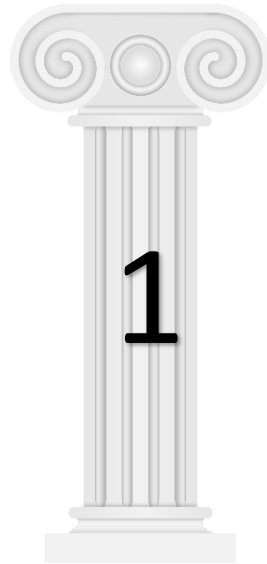
Young Farmers' Capital Investment Scheme

- Young Farmers get a 60% grant for capital investment
 - Animal Housing
 - Roofing of livestock feeding yards
 - Slurry Scrapers
 - Slurry storage
- Maximum €80,000 Minimum €2,000
- Eligibility:
 - Must qualify as a “Young Trained Farmer”



CAP in Ireland – Succession & Inheritance

Pillar 1



Direct Payments

National Reserve

- CAP 2014 - 2020
 - Young farmers could apply to get direct payments (Entitlements)
 - €97 per acre up to maximum of 222 acres = €21,534/yr
 - On owned or leased land
 - Eligibility:
 - Must qualify as a “Young Trained Farmer”
 - Off farm income under €40,000 in 2013 or 2014



1

Young Farmer Top Up

- CAP 2014 – 2020

- Top up payment on existing direct payment
- €24 per acre up to 123 acres = €3,000
- Eligibility
 - Must qualify as a “Young Trained Farmer”
 - Must exercise effective and long term control



1

Agricultural Taxation



Agricultural Taxation

	LIFETIME TRANSFERS	DEATH TRANSFERS INHERITANCE
Capital Gains Tax (CGT)	✓	✗
Capital Acquisitions Tax (CAT)	✓	✓
Stamp Duty (SD)	✓	✗



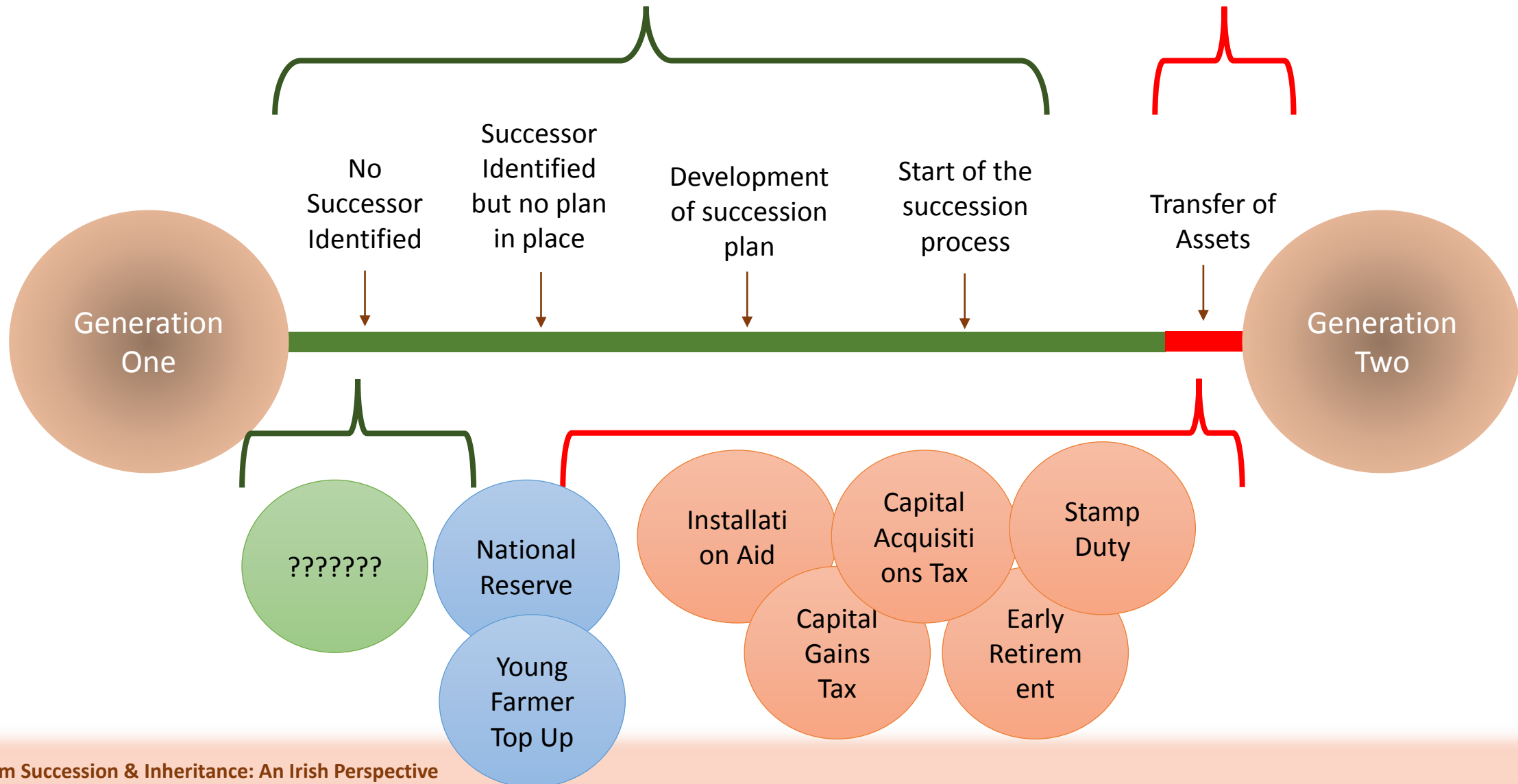
Taxation

	Main Reliefs
Capital Gains Tax (CGT)	Retirement Relief Restructuring Relief
Capital Acquisitions Tax (CAT)	Agricultural Relief Business Asset Relief
Stamp Duty	Consanguinity Relief Young Trained farmer Relief

Policy?

Succession

Inheritance



Irish Initiatives

To Aid Succession & Inheritance



Farm Succession & Transfer Guide

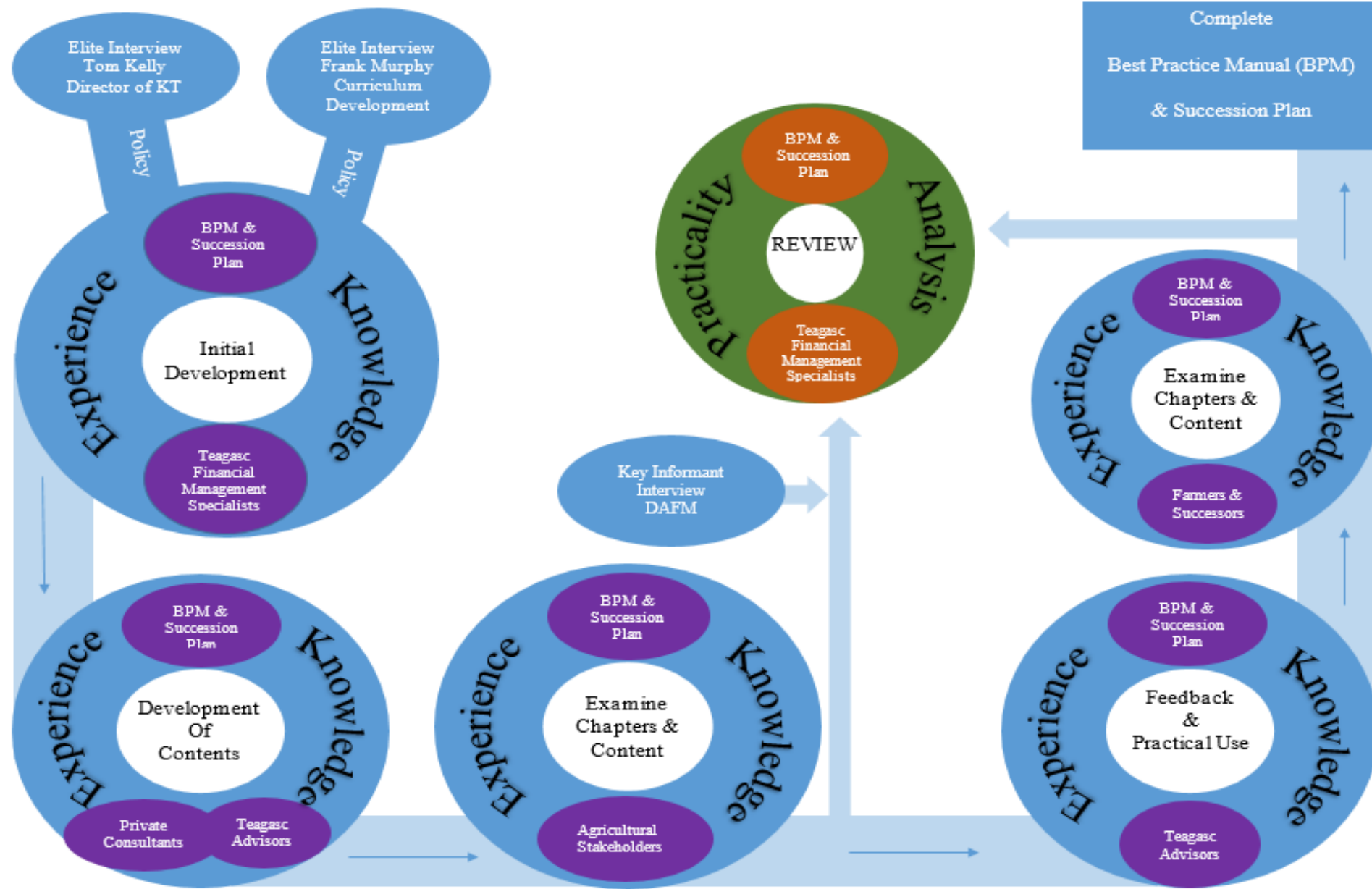


What is it?

- Aim was to develop a tool to support succession
- By using the self complete exercises throughout the guide it aims to start the communication and address key issues
- Created using a co-creation process which involved consultation with key stakeholders, professionals, developers and end users at all stages of development



Co-Creation Framework



Outline of Guide



2. Profile of Farm & Family

02 Profile of farm

Teagasc

EXERCISE 01

Main Enterprise	2nd Enterprise
Land – owned	Land – farmed
Whole farm stocking rate	No of people working on the farm
Breeding stock numbers (cows, ewes, etc)	
Output milk, beef, sheep (kg milk solids, kg beef, etc.)	
Total value of assets	What is current level of debt (incl lease/hire purchase)?
What is current total cost of production per unit? (Refer to Teagasc Profit monitor for these figures)	
Profit incl. premia	Profit, excluding premia
Future plans for the farm business (5-10 years)	

13

Farm Succession & Transfer Guide

03 Profile of family



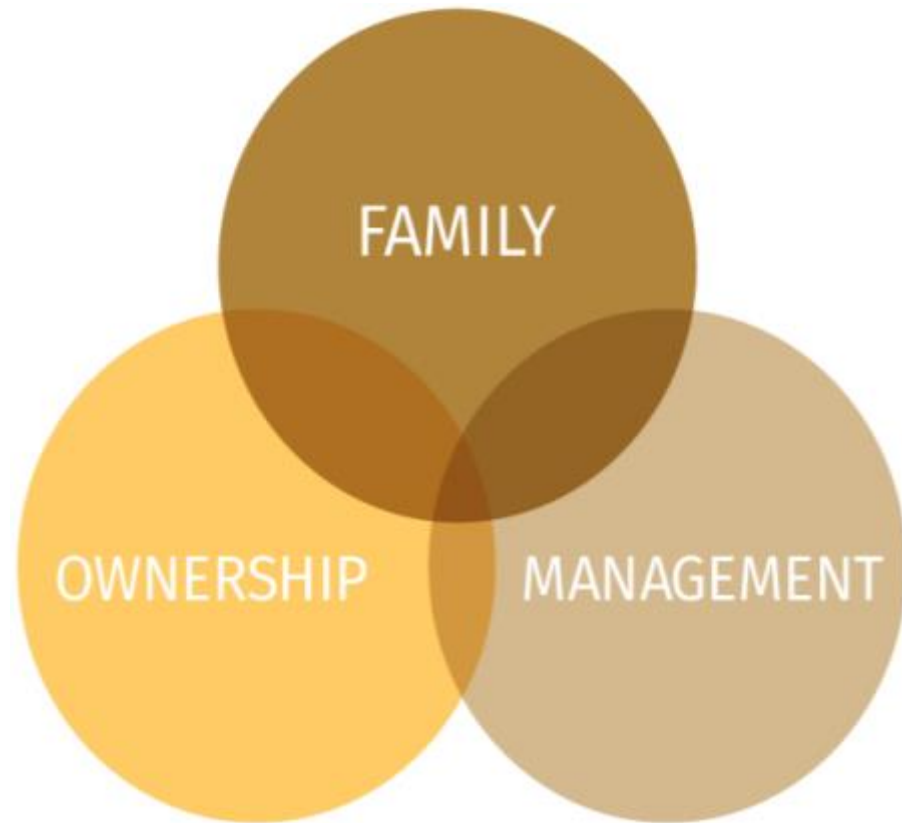
Family Tree
 Complete the family tree and identify all family members, their age and relationship to the farm owners. Identify the farm owners in the boxes with an*

14

Communication



3.
Communication



Follow the chart below and recognise the key points to be addressed at each different stage.

Whole Family	SECONDARY SCHOOL KEY POINTS TO DISCUSS:	COLLEGE KEY POINTS TO DISCUSS:
	<ul style="list-style-type: none"> • Are they interested in farming? • Are they aware that it is an option for them? • Is the farm capable of supporting their income? • Would they like to be involved full time/part time? • Will you consider gaining experience on another farm? • What college courses are they interested in? • Have they looked into the Green Cert? 	<ul style="list-style-type: none"> • Do they plan to come home and farm straight away? • Do they plan to farm part time/ full time when they finish college? • Have they looked into career options? • What level of responsibility will they have if they want to come home and farm straight away? • Have they thought of travelling to gain experience working other farms? • Expansion / Change plans
Successor	EARLY CAREER KEY POINTS TO DISCUSS:	MID CAREER KEY POINTS TO DISCUSS:
	<ul style="list-style-type: none"> • Level of management responsibility on the farm • Share of profits or wage • Income requirements • Timing of succession and progression up the ladder • Expansion/change plans for the farm 	<ul style="list-style-type: none"> • Income requirements • Partnership options • Level of responsibility • Capital/ loan/mortgage requirements • Family requirements

4.
Management
Responsibilities



- Sharing of Management Responsibility
- Succession Ladder
- Partnerships

What level of financial reward is linked to level of management?

Income/ Profit Share

Level of Management	Main Responsibilities	Wages/Income/ Profit Share
Financial Having the cheque book		
Marketing Decide when to sell		
Strategic Long Term Planning		
Technical Day to Day Running		

5. Next Steps

- Put a plan in place
- Make a will
- What to do if you can get to a decision



6. Farm Transfer

- What professionals are involved
- Who do you talk to first
- What role do they have
- What exact responsibilities do they have
- Name and contact details for professionals

7. Farm Succession Plan





The Land Mobility Service

What is it?

- Brokerage Service to facilitate collaborative farming arrangements
- Matches up existing farmers and potential new entrants
- Set up in 2013
- Types of arrangements
 - Long Term Leasing
 - Share Farming
 - Contract Heifer Rearing
 - Cow Leasing
 - Partnerships

Stakeholders



Macra na Feirme



Land Mobility Service

360 Clients



2 Yrs. in
Operation

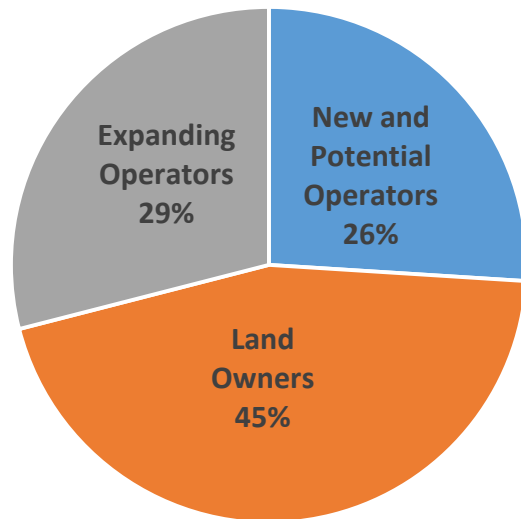
138

Arrangements

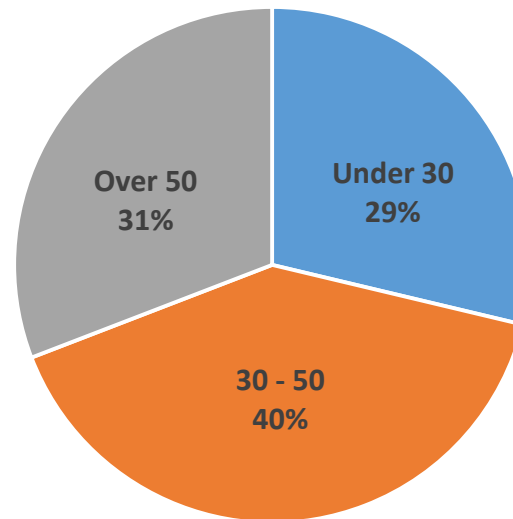
Land Mobility Service

Stats

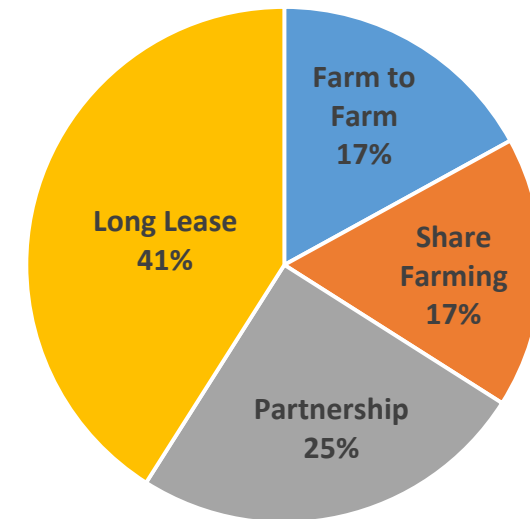
Client Profile



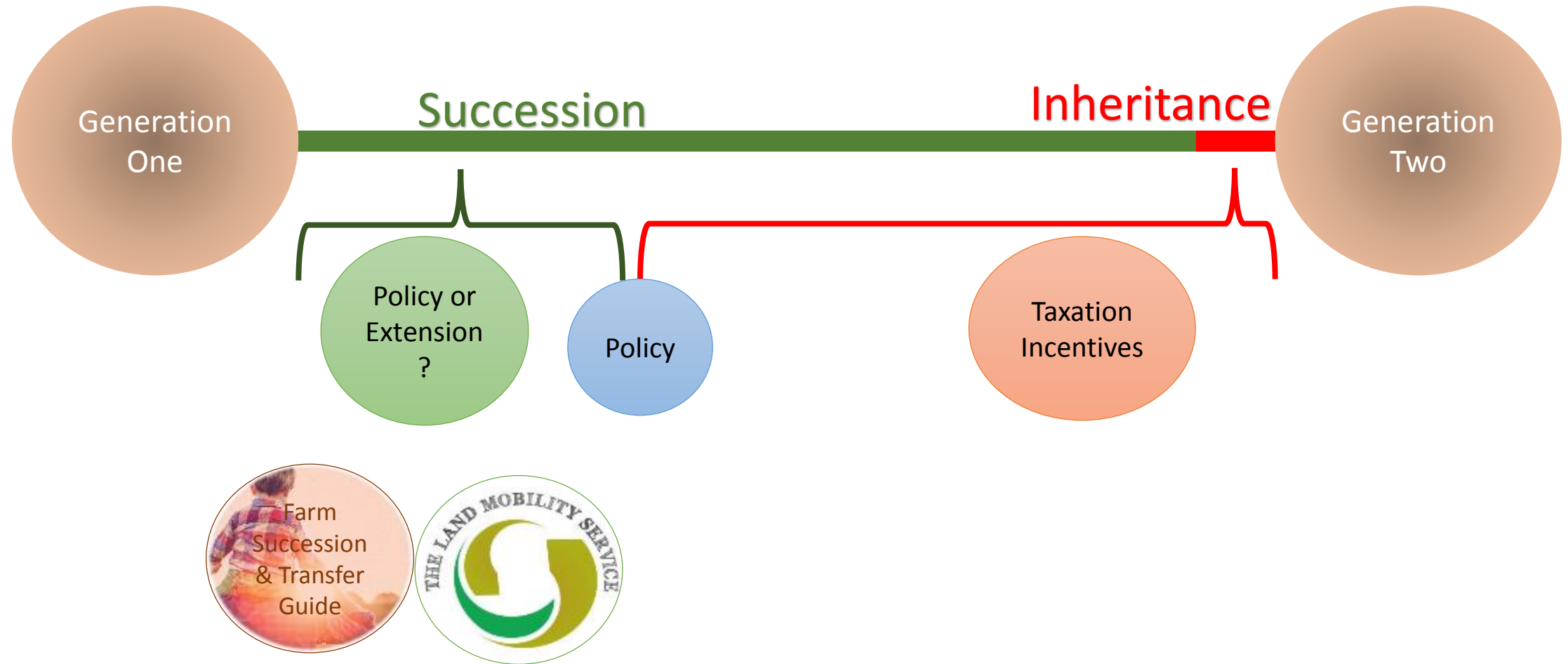
Client Age Profile



Type of Arrangements



Conclusion



Thank You

Any Questions?