Farm Succession and Inheritance in England, Scotland and Northern Ireland

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Executive Summary

The issue of farm succession and associated issues of retirement and inheritance have gained considerable prominence in recent years. Farmers and members of farming families frequently find the process challenging to the extent that discussions and plans for succession and retirement are often put off for many years. For farmers (probably particularly male farmers) the process of succession and retirement can pose a challenge to their sense of identity, their role in the business and family and to how they may be perceived by their peers. Against this background, this report details findings from a survey of farms across England, Scotland and Northern Ireland on issues relating to farm succession and inheritance.

688 farmers (415 in England, 122 in Scotland, 151 in Northern Ireland) completed and returned a postal survey between June 2019 and January 2020. The questionnaire used was the latest iteration of the FarmTransfers© questionnaire[1]. Questions were designed to investigate farmers' current situation and future plans/expectations regarding retirement, farm decision-making, succession and inheritance.

Key findings

- The concept of retirement can have a very different meaning for farmers than for those in other occupations. Less than a fifth (19%) of survey respondents plan on fully retiring and those who do retire or semi-retire do so at a later age than the wider population: almost half (48%) plan to do so only after the age of 70. Reasons for this reluctance to retire include practical issues such as where to live and how to finance retirement, but personal attachments to the farm and attitudes around farming as 'a way of life' also play a role. Indeed, three-quarters of our survey respondents selected 'way of life' as one of the two aspects of farming they would miss most on retirement.

- Over a quarter of farmers (27%) have not discussed their retirement plans with anyone at all. For some, the lack of conversation on this topic may be an indication of uncertainty and/or reluctance to address a difficult topic and is concerning given the complications associated with transferring responsibility for the farm on to younger generations. Failure to discuss retirement might also mean a failure to plan to adequately fund retirement, leading to a situation where farmers remain dependant on the farm as a source of income well into old age, further reinforcing a reluctance to retire and potentially creating problems for succession.

- Most farmers (82.3%) have made plans for their retirement finance. Many (42.5%) are planning to at least partially use income from their current farm and almost a third of farmers are relying on this for between a quarter and a half of their retirement income. The retirement futures of many farmers are therefore closely tied to the continued prosperity of the business.

[1] The *FarmTransfers* project is a collaboration between Iowa State University and the University of Exeter. Over a long period of time the survey has been has been replicated in many US States, parts of Canada, several EU countries, Australia and Japan.

- Less than a quarter (22.3%) of survey respondents definitely plan to move house on retirement, with more than half (52.7%) confident that they would not (the remainder were undecided). Some farmers may have no desire to leave the place where they have lived for many years and which they may have been born and brought up. However, even where the farmer wishes to move from the main farmhouse, perceptions around the implications of doing so for Agricultural Property Relief (APR) and Inheritance Tax (IHT) can pose a significant barrier to moving on.

- Our evidence suggests that creating a succession plan is not regarded as an essential aspect of business planning. Under a third (28.3%) of respondents with a successor reported that they have a formal succession plan. Respondents aged 65 and over with a successor are much more likely to have a succession plan. Although it can be argued it is never too late to do some sort of planning, the complexities of succession planning mean that plans should be developed at a much earlier stage.

- Many more farmers have made a Will and there is a strong association between making a Will and having a successor. Whilst there is less room for improvement in terms of the number of farmers making a Will compared to succession planning, it is important to stress that Wills should be kept under review. Important family events such as births, deaths and marriages provide important markers in any family and are a good time to review succession plans and Wills.

- Most farming successors are the offspring of the current farmers. The overwhelming majority (72.3%) of those respondents with a potential successor identified a son as the person most likely to succeed and only 17.7% identified a daughter. This is despite only a small difference in the proportions of respondents with sons and daughters. The reasons for this are no doubt complex and culturally ingrained. Our observation is that as UK agriculture faces some of the most significant challenges for decades in the form of new trading arrangements, radical policy reform and the impact of Covid-19, as well as climate change etc., it makes good business sense to draw on the widest pool of possible future business leaders.

- The majority of respondents report limited sharing or delegation of decision-making, with most farm business and management decisions being made largely or solely by the incumbent farmer. Successors need to be exposed to business decision-making so that they gain the silks and knowledge to enable them eventually to make decisions on their own. Succession planning can help facilitate greater sharing and delegation of decision making by creating a succession timeline with indicative dates by which, subject to demonstration of sufficient ability, the successor takes on progressively more decision making duties.

Differences between sizes and types of farm

Statistically significant associations in the survey data suggest that:

- Small farms (20-49ha) and cattle/sheep farms may need particular encouragement and/or support to discuss retirement plans with their children or, indeed, anyone at all. Where appropriate, they may also need particular encouragement to discuss their plans with a financial expert such as a banker or accountant.

- Dairy and cattle/sheep farms may particularly benefit from support in planning their retirement finances and creating a Will. Around a quarter of farmers from these farm

types (24% of dairy farmers and 21% of cattle/sheep farmers) had not made plans for retirement finance; a quarter had not created a will (25% of dairy farmers and 22% of cattle/sheep farmers had not done so), and almost half (47% of dairy farmers and 46% of cattle/sheep farmers) had not considered IHT & APR in their planning.

- Smaller farms may be more likely to require particular help with financial matters relating to retirement and succession. The smaller the farm (with the exception of very small farms <20ha), the less likely they were to have made plans for financing their retirement. Profitability – or lack thereof – is also a particular issue for smaller farms (but not necessarily the very smallest <20ha), with this being more likely to drive retirement/leaving farming than in the case of larger farms.

- Perhaps due to the profitability issue noted above, smaller farms appear to have more difficulties in identifying a successor than larger farms, with the likelihood of having done so increasing with farm size.

- Although a high proportion of respondents from all sizes and types of farm have already created a Will, there is some evidence that smaller farms may require more encouragement and support than larger farms, both in creating a Will and in considering APR & IHT in their planning.

Differences between countries surveyed

Throughout the analysis we have drawn attention to differences between the three UK countries in which the survey took place. These include:

- In England, respondents (in general) had a less negative perception of economic position of their business: this is likely to be linked to the larger average farm size in this sub-sample. Respondents here were of an older average age (particularly compared to NI) with more respondents already over the conventional retirement age of 65. Older farmers (65 years or over) were less likely to have a formal succession plan compared to the same age group in other countries. Respondents here were, however, more likely both to have a Will and to have considered APR/IHT in their planning.

- In Scotland, a smaller proportion of respondents relied on farming as their principal occupation and fewer were in partnership with their children compared to the other countries. A smaller proportion of farmers were planning on drawing an income from their current farm, particularly from contract-farming, to finance their retirement. These characteristics are likely to be linked to the larger proportion of very small farms in the Scotland survey.

- In Northern Ireland, respondents were more likely to be in partnership with one or more of their children, with over a quarter stating this was the case. On retirement, farmers appear less likely to plan on moving residence than in the other two countries, with almost three-quarters planning to stay where they are. Respondents here are also less likely to have made plans for financing their retirement, with over a quarter not having done so. Farmers here were also more likely to expect to 'continue the same jobs but less intensely' in retirement. Finally, respondents here were both more likely to have identified a potential successor, and less likely to have a successor who was already over the age of 50, than in the other two countries.

Conclusions

The succession challenge facing UK agriculture is not one of low rates of succession. With the exception of some sub-groups succession rates are quite high. There is a challenge in terms of addressing the gender balance of successors, and preparing those successors for success so that they have the skills, knowledge, experience and attributes of business leaders. Some of this can be gained through formal education, adoption of lifelong learning and experience gained on other farms and in other sectors, but successors also need to gain decision making experience in the business they hopefully one day will be leading. The other challenge is to get succession planning adopted as a normal part of farm business planning. Banks could help by requiring a succession plan alongside a business plan when making loans. Examples of worst and best practice will also help influence some farmers. Succession and retirement requires a team effort. Family members need to be involved in discussions and the family will require the support of a multidisciplinary team of lawyers, accountants and financial advisors, and in some cases a succession facilitator. The precise requirements will vary for every family but the key challenge is to normalise succession and retirement planning. There is a lot of scope to intervene to help and support farming families through this process.

1. Introduction

The issue of farm succession and associated issues of retirement and inheritance have gained considerable prominence in recent years. Farmers and members of farming families frequently find the process challenging to the extent that discussions and plans for succession and retirement are often put off for many years. For farmers (probably particularly male farmers) the process of succession and retirement can pose a challenge to their sense of identity, their role in the business and family and to how they may be perceived by their peers. Against this background this report details findings from a survey of farms across England (June 2019), Scotland (September 2019) and Northern Ireland (February 2020) on issues relating to farm inheritance and succession. Results are presented for each of the three countries and for the sample as a whole. Where relevant or significant, results are also presented broken down by farm type and farm size for the sample as a whole.

Following an explanation of the survey methodology (section 2), section 3 presents the characteristics of survey respondents (which are relevant to understanding and interpreting the data) and describes the key data emerging from the questions relating to retirement, succession and inheritance. These results are then discussed more fully in section 4, where they are examined within wider contexts and analysed in terms of what they tell us about the issues, challenges and opportunities faced by UK farmers. The implications of these findings for how farmers might best be supported to negotiate the practical and emotional complexities of transitioning away from full-time farming in later life are also considered.

2. Methodology

2.1 Questionnaire design

This research replicated (with minor updates) a questionnaire that has already been extensively tested and used under the FARMTRANSFERS international collaborative research project. *FARMTRANSFERS* is a collaborative research initiative, directed by Iowa State University and the University of Exeter, employing a standardised and copyrighted questionnaire. Originating in the UK the survey has been replicated in the US, Canada, several EU member counties, Japan and Australia. To date around 16,000 farmers have taken part in the survey with the results being used to inform the design of teaching programmes, training for professional advisors and practical interventions with farming families.

Questions were designed to investigate farmers' current situation and future plans/expectations regarding retirement, farm decision-making, succession and inheritance. Results were predominantly analysed using the statistical software package, SPSS (see also section 2.3). Open questions were qualitatively analysed in order to identify common and salient themes.

2.2 Sample and response rate

In total, 5000 survey forms were sent out to farms across England, Scotland and Northern Ireland between June 2019 and January 2020. 688 responses were received, giving an overall response rate of 14%. This response rate is lower than we hoped for and is partly due to the timing of the survey and because Defra would only allow one reminder. Our usual practice is to send two reminders with the second reminder including a new copy of the questionnaire.

The original research plan was to also survey farms in Wales. However, due to various difficulties and delays in obtaining an appropriate sample, survey distribution had not commenced before the start of the Covid19 pandemic in Spring 2020. Conducting a survey under Lockdown restrictions was not deemed possible or appropriate and, since the pandemic continues to have significant implications for the farming industry (with consequences for the issues covered by the survey, making the findings incomparable with those emerging from the other UK countries), the decision was taken not to proceed with the Wales survey at this time. Replicating the survey in Wales at a future date may be possible.

England

The survey was sent out to 3000 farms across England in June 2019. The sample was selected by Defra to represent the main farm types in England. As with Defra's own Farm Practices survey, holdings with little commercial activity were excluded[2].

415 responses (response rate: 14%) were received between 10th June and 6th August 2019, with the majority (75%) received by the end of June.

[2] To be included holdings had to have at least 50 cattle, 100 sheep, 100 pigs, 1,000 poultry or 20 hectares of arable crops or orchards.

Scotland

In Scotland, the survey was sent out to 1000 farms at the end of August 2019. 122 responses (response rate: 12%) were received between 4th September and 30th October 2019, with the majority (78%) received by the end of September. As with the England sample, holdings with little commercial activity were excluded.

Northern Ireland

The Northern Ireland survey was sent out to 1000 farms in January 2020. 151 responses (response rate: 15%) were received by the end of February 2020, with most received by the end of January (exact return dates were not recorded for this sub-sample).

2.3 A note on statistical tests

Not all respondents answered every question, and in some cases answers were unclear so had to be excluded: Thus, each of the figures presented in this report include an 'N' number which denotes the number of valid responses to the associated survey question.

On a number of occasions in this report, comparisons are made between characteristics of sub-groups of respondents using cross tabulations. We conducted a statistical hypothesis test for independence between each pair of categorical variables. We calculated a χ^2 (Chi-square) statistic, which measures the *dependence* between two variables, and from this generated a p-value, which is the chance of obtaining such a level of dependence if the two variables were truly independent. We label an association between variables as 'significant' if the p-value is lower than 0.05 (i.e., 5%).

In a few instances, the validity of the result is weakened by the presence of some cells with very low values (i.e. where there are only a small number of respondents falling into one of the categories being analysed). This is noted in the text where appropriate. We would usually check the inference of these cases with a Fisher's Exact Test, however this has not yet been possible due to reduced computing capability as a result of homeworking amid the Covid19 pandemic. In our experience, the Fisher's Exact Test usually only produces slight changes to results that are already marginal. Thus, we have been careful not to draw conclusions specifically from cross-tabulation cells with small respondent numbers, but remain confident in our broader findings.

3. Respondent characteristics

A total of 688 farmers responded to the survey; 415 in England, 122 in Scotland and 151 in Northern Ireland (NI).

This section of the report presents descriptive figures of respondent characteristics in order to better understand the context for interpretation of the wider survey findings. Where appropriate (and possible within the limitations of available national-level data), this includes consideration of the extent to which these are representative of the wider farming populations in each of the three countries surveyed.

3.1 Farm size

Responses represent farms of a broad range of sizes (1ha–5059ha), with different farm sizes relatively evenly represented within the whole survey as a whole: see figure 3.1. However, there were significant differences between the three sub-samples with average farm size varying considerably between countries: from 89ha in NI (where farming is characterised by smaller scale family farms), to 165ha in Scotland, to 222ha in England (overall average = 182ha). Scotland respondents were significantly more likely than expected to run farms under 20ha in size (29.2% compared to 8.1% in England and 6.1% in NI), NI respondents more likely than expected to run farms of 20-49ha (29.3% compared to 23.2% in England and 13.3% in Scotland), and England respondents more likely than expected – and NI respondents less likely - to run farms of 200+ ha (28.7% compared to 25.8% in Scotland and 6.8% in Northern Ireland) (χ^2 = 92.230, p < .001). Some of the reported differences between countries relating to key findings may, therefore, be as much to do with farm size as other region-specific factors (although farm sizes are themselves partially determined by region-specific social, cultural and political factors).

In England, the sample is notably skewed towards larger farms and, when compared to national statistics (see figure 3.2)[3], all three sub-samples (and the sample as a whole) under-represent very small farms (which was deliberate – see above) and over-represent large farms. The average farm sizes in this survey were 222ha (England), 165ha (Scotland) and 89ha (NI), compared to national averages (in June 2017) of 87ha, 113ha and 41ha respectively (Defra, 2019). This bias is to be expected given the generally greater capacity of larger farms to complete surveys, but when interpreting the results of this survey it is important to remember that the relative significance of conditions and concerns affecting very small farms (especially in England and NI) may not be fully reflected.

[3] It should be noted comparisons with national statistics are not an exact like-for-like comparison. National data is based on holdings. In reality a single farm business may consist of multiple holdings and as such it is not unusual for sample surveys of 'farms' to appear to be skewed towards larger farms.

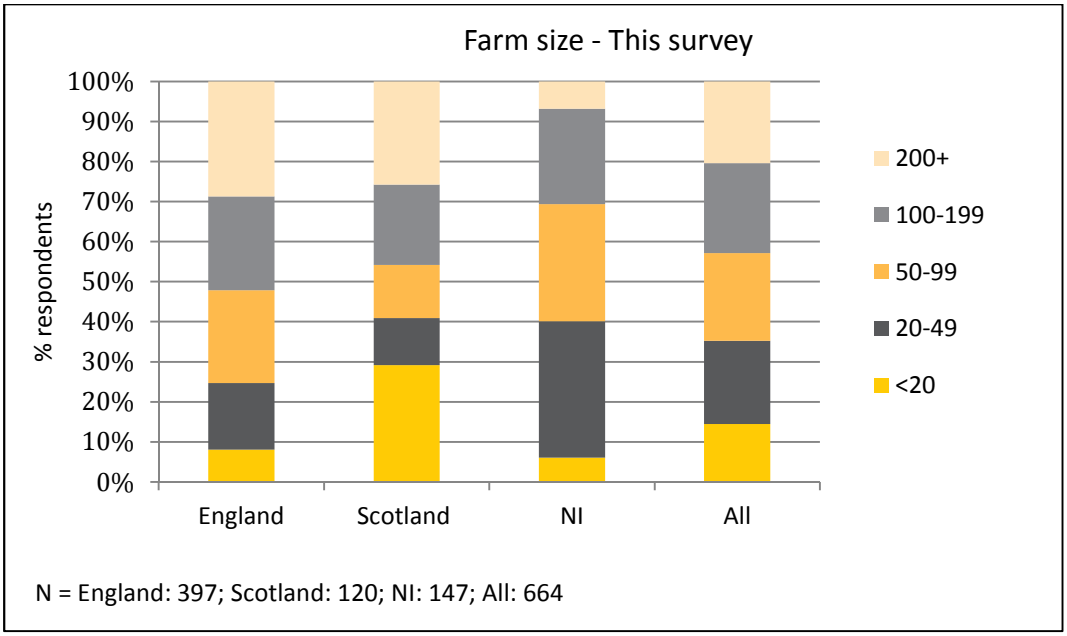


Figure 3.1 Area of land respondents are responsible for (ha)

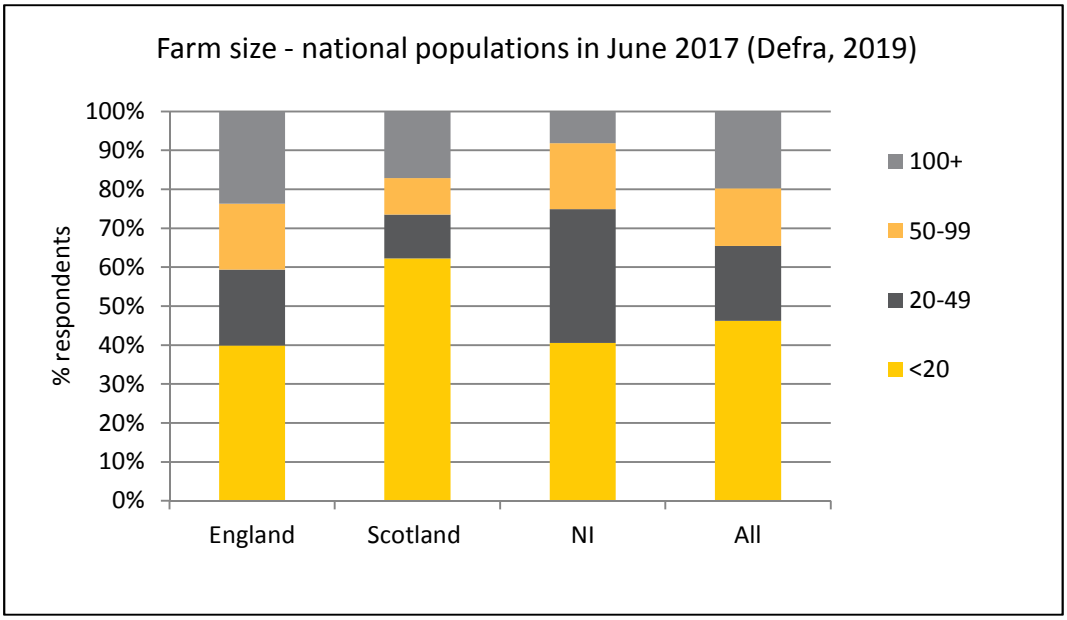


Figure 3.2 Size of farm holdings by country in June 2017

3.2 Land tenure

Across the whole survey, 72.2% of respondents either wholly or mostly own the land for which they are responsible. Although directly comparable national data does not exist for all the countries surveyed, available data suggests that this figure is broadly representative of the national populations. For example, 71% of farmers in England either wholly or mostly own their land according to FBS 2017/18 data (Defra and Rural Business Research, 2019). In NI 81% own at least half their land (Deara, 2019). In Scotland 78% of land is owned (Scottish

Government, 2019)[4]. Ownership levels were relatively similar across countries (see figure 3.3), although a higher proportion of Scotland respondents wholly own their land (51% compared to 36.9% in England and 38.4% in NI) than the average and a higher proportion of NI respondents mostly own their land (41.1% compared to 33% in England and 19.4% in Scotland). A higher proportion of respondents in Scotland were wholly renting in their land (and/or had other arrangements such as contract-or share-farming) than respondents in England and NI (19.4% compared to 10.1% and 1.4% respectively) ($\chi^2 = 37.311$, $p < .001$, 3 cells (20%) have expected count less than 5).

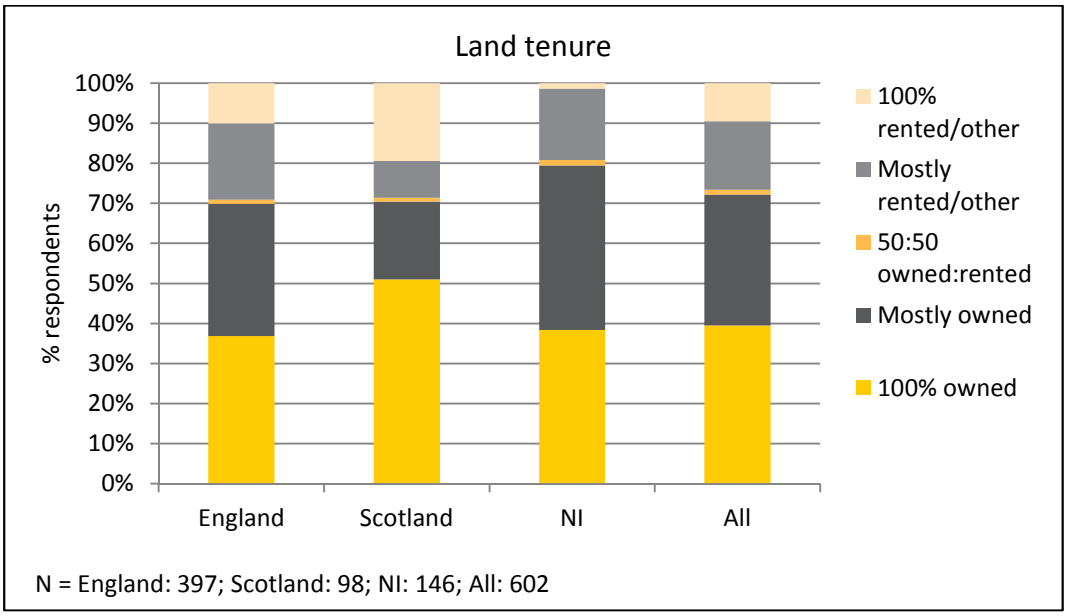


Figure 3.3 Tenure of land respondent is responsible for

3.3 Farm type

Representativeness in terms of farm type is difficult to determine due to differences in the way that national statistics are categorised[5] but, based on available data, we believe the sample to be a reasonably fair reflection of the main enterprises operated by farms at the national levels. For instance, in England and Scotland the three largest groups[6] within our sample (cattle/sheep, arable and mixed) are consistent with the three largest in national level data, and in NI the two largest groups (cattle/sheep and dairy) - which make up over 80% of the population both in our sample and nationally - are consistent. The main digressions from national populations (those that differ by more than 5%) are:

[4] Our NI sample slightly under-represents 100% owned farms (38.4% compared to 51.4% in the national population but over-represents 'mostly owned' farms (41.1% compared to 29.1% in the national population). National level data is taken from Deara (2019).

[5] In national statistics calculations of 'standard output' are used to allocate holdings to a particular main enterprise type. In our survey respondents were asked to indicate which farm type category best describes their business.

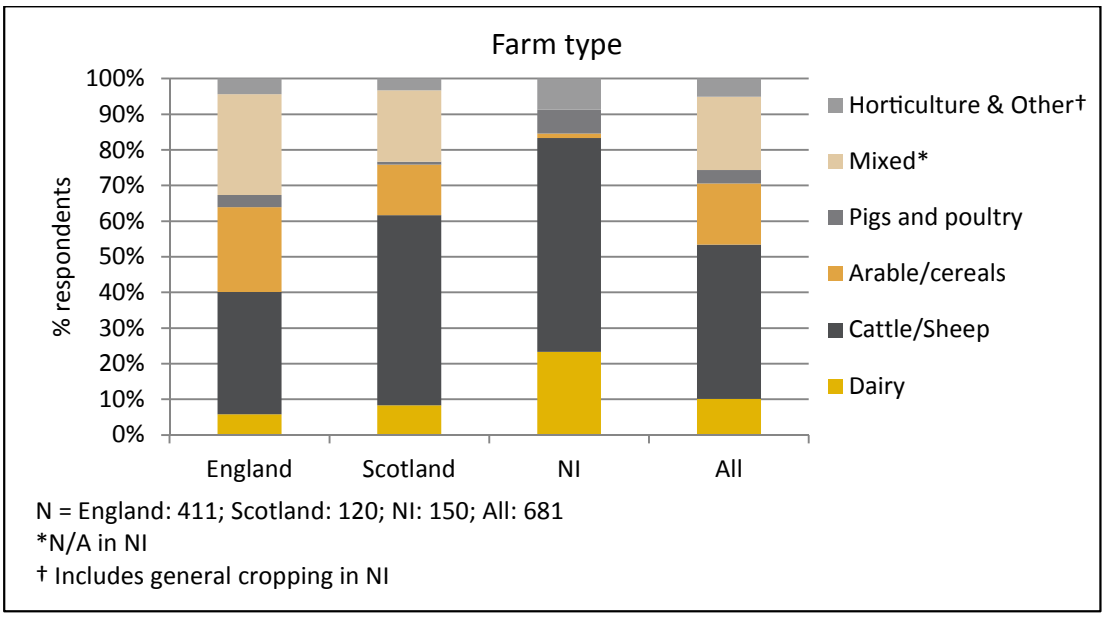
[6] All national level statistics quoted here exclude general cropping farms.

i) In England (see Defra 2019 for national statistics), our sample over-represents mixed farms (28.2% compared to 9.7% nationally) but under-represents cattle/sheep farms (34.3% compared to 52.7% nationally);

ii) In Scotland (see Scottish Government, 2019 for national statistics), our sample slightly over-represents dairy farms (8.3% compared to 2.3% nationally) and arable farms (14.2% compared to 8.3% nationally) but slightly under-represents cattle/sheep farms (53.3% compared to 62% nationally);

iii) In NI (see Deara, 2019 for national statistics) our sample over-represents dairy farms (23.3% compared to 10.4% nationally) but under-represents cattle/sheep farms (60% compared to 78.9% nationally).

Categories of farm types varied slightly in the NI survey from the England and Scotland survey. Although these are therefore not directly comparable, in order to allow comparisons between countries and aid analysis of the presence/absence of associations between key survey findings and farm type, we have aggregated the categories to give a broad portrayal of farm types represented by the survey (see figure 3.4). However, throughout this report, where statistically significant associations were found between key findings and farm types *within* countries, these are presented using the original farm type categories for each relevant country.



N = England: 411; Scotland: 120; NI: 150; All: 681
*N/A in NI
† Includes general cropping in NI

Figure 3.4 Farm type

3.1% of respondents were responsible for some land registered as organic (3.9% in England, 4.1% in Scotland and 0% in NI). We believe this to be broadly representative of the wider population: although directly comparable data could not be identified, 2.9% of the total farmed area on agricultural holdings in the UK (3.3% in England, 2.1% in Scotland and 0.8% in NI) was organic in 2017 (Defra 2017).

3.4 Farm labour

Family members are clearly an important source of labour across all three countries, with only 23.5% employing one or more full-time workers, 16.6% employing one or more part-time workers, and 13.8% employing one or more casual workers. The total number of workers per farm (including family members and employees) ranged from 1 to 100 and averaged 4.2.

Figure 3.5 shows the mean number of people working on the farm, by surveyed country. Unsurprisingly given the larger farm sizes represented in the England sub-sample, on average farmers here employed more people compared to both Scotland and NI (2.67 compared to 0.98 and 0.58 respectively) and had a higher number of total workers, although mean numbers of family members working on the farm were similar.

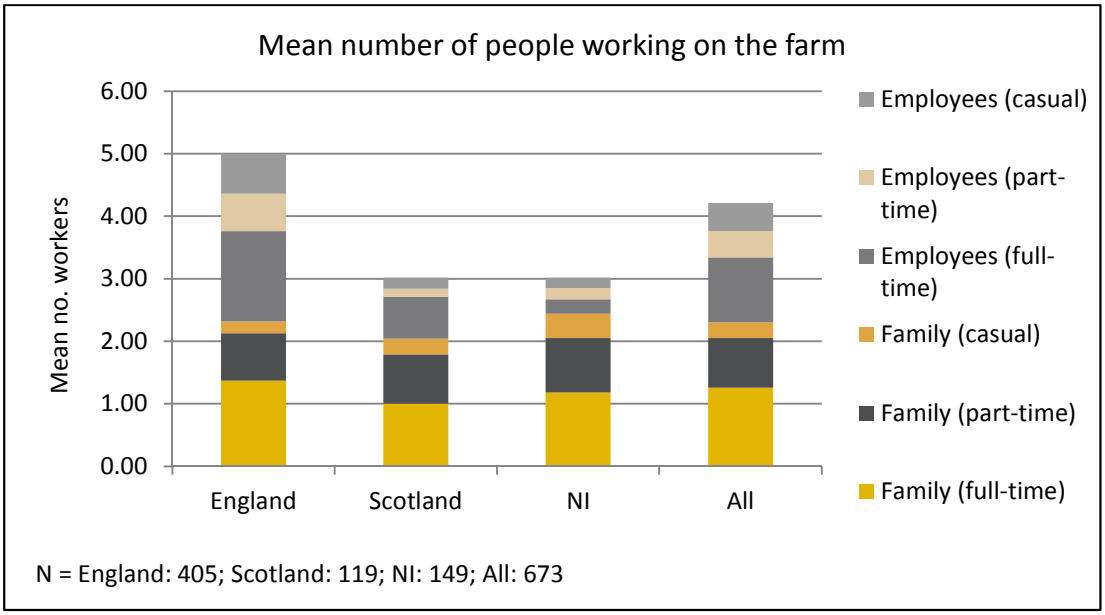


Figure 3.5 Mean number of people working on the farm

78.7% of all survey respondents stated that farming was currently their principal occupation. Likely reflecting the differences in average farm sizes between countries, this figure was significantly higher in England (84.4%) and lower in Scotland (60.7%) (78% in NI, 78.7% across all countries) ($\chi^2 = 31.543$, $p < .001$).

3.5 Respondent's position in the business

The majority of respondents were either a partner in the business with one or more relatives or were a sole proprietor: see figure 3.6. The most notable difference between countries – and relevant to the topic of succession - was that respondents in NI were more likely, and respondents in Scotland less likely, than expected to be in partnerships with their child(ren) (26.7% and 9.1% respectively, compared to 14.6% in England and 16.3% across all countries) ($\chi^2 = 17.259$, $p < .001$). Respondents in NI were also less likely than expected to be in a partnership with their spouse (25.3% compared to 43.7% in England, 47.9% in Scotland and 40.4% across all countries) ($\chi^2 = 18.805$, $p < .001$).

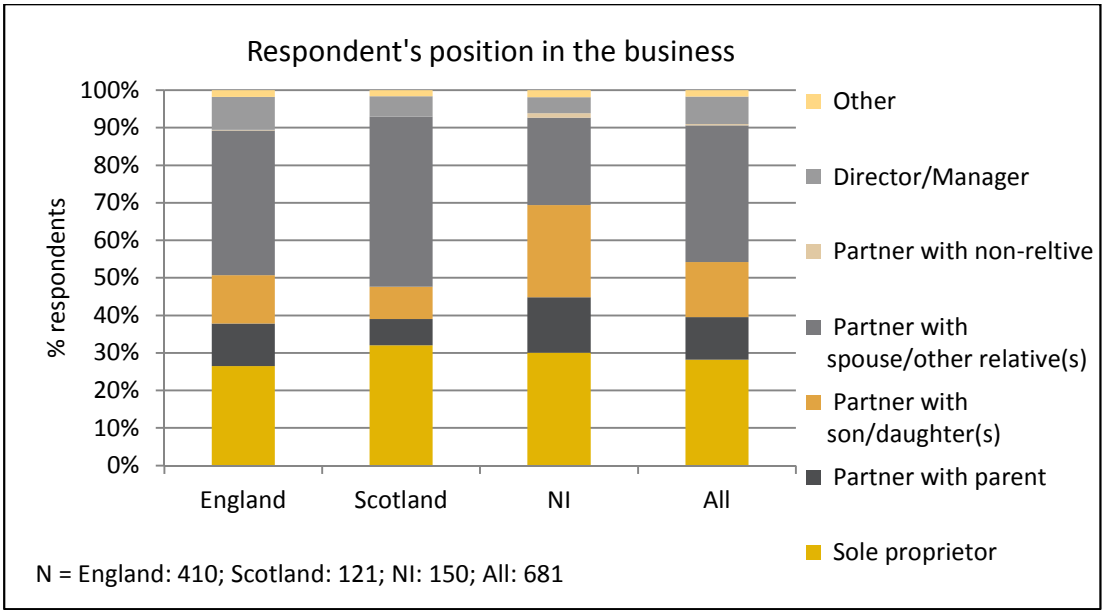


Figure 3.6 Respondents' position in the business

3.6 Age, gender and education

Respondents' age ranged from 24 to 93 and averaged 62 years old across the whole sample. This is slightly older than the UK average farmer age of 60 years (Defra, 2019), but this is unsurprising and appropriate given the topic of the survey. 45.5% of respondents were at least 65 years old (i.e. already at or over the state pension age) at the time of completing the survey.

There were, however, significant differences between countries (see figure 3.7), with respondents in NI notably younger (mean age 58) and those in England slightly older (mean age 63), than in Scotland and across the sample as a whole (mean age for both 62). Respondents in NI were significantly less likely, and those in England more likely, than expected to already be over the national pension age of 65 (33.1% of respondents in NI and 51.9% of those in England were over 65, compared to 39.7% in Scotland and 45.5% across all countries. χ^2= 10.722, p = .005).

86.4% of respondents were male and 13% were female. This did not differ significantly between countries.

35% of respondents said that their highest level of formal education was school education, 34.6% technical qualification, and 4.4% A levels. 19.3% had either a degree or postgraduate degree. There were no significant differences between countries.

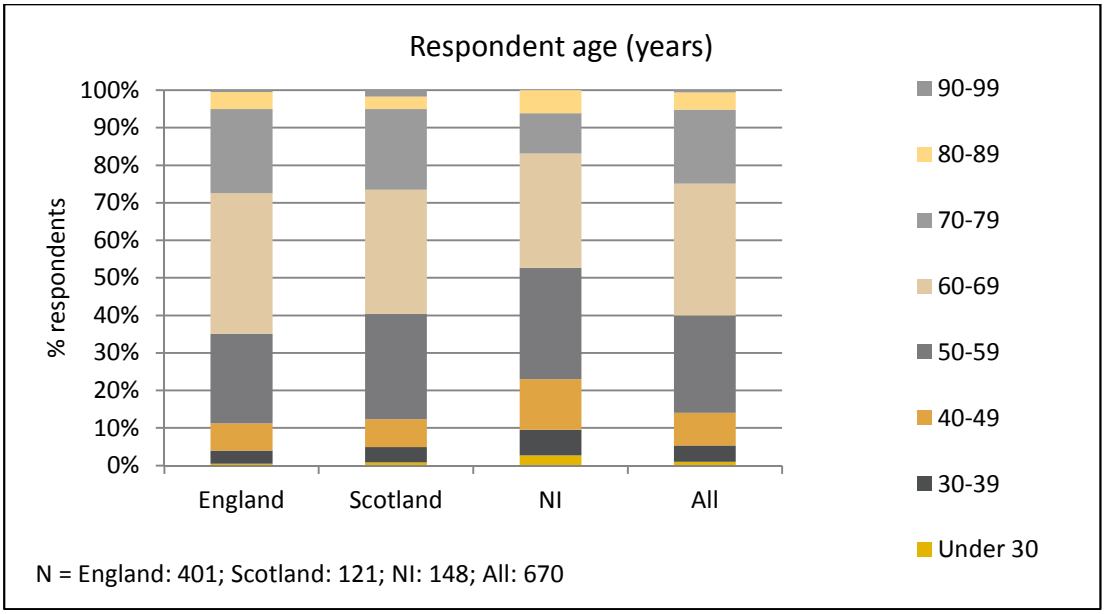


Figure 3.7 Respondent age

3.7 Farming background

Only 13.3% of all respondents were new entrants to farming. Farmers in NI were both less likely to be new entrants (6% compared to 14.4% in England and 18.2% in Scotland) and more likely to be at least the second generation to farm in their current location (91% compared to 78% in England and 74% in Scotland) (χ^2 = 14.083, p = .007). See figure 3.8. These findings are broadly comparable with our previous research in England (e.g. Lobley, 2004) and indicate the extent to which UK agriculture continues to exhibit characteristics of a 'closed shop'.

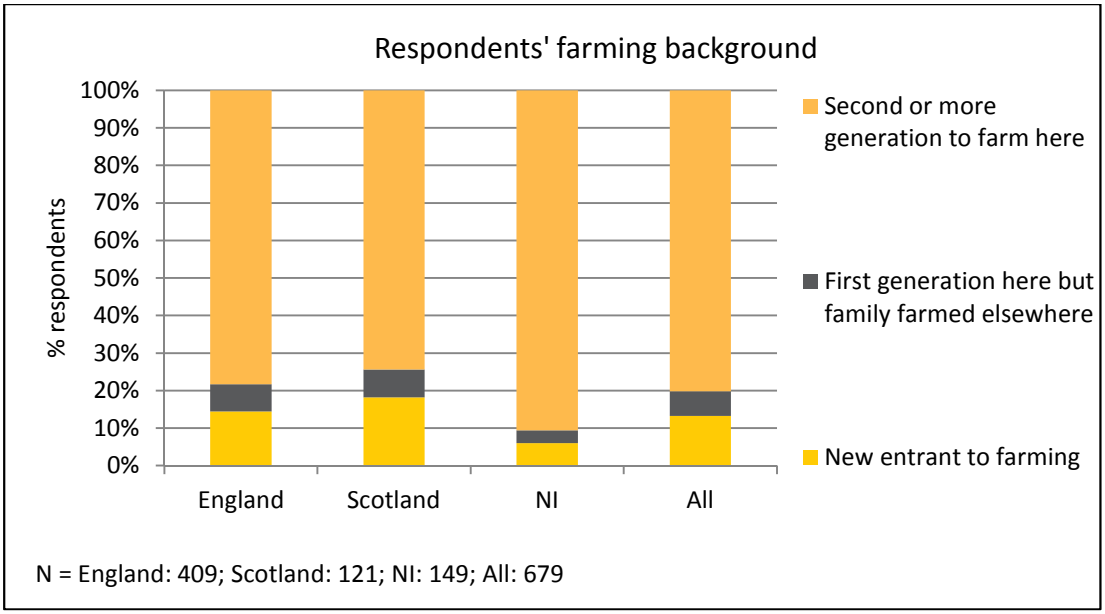


Figure 3.8 Respondents' farming background

On average (of those who were not the first generation to farm in their current location), respondents' families had been farming their land for 114 years, ranging 5 years to over 2000 years (no significant difference between countries).

On average, respondents have been running their farm for 29 years. 61.9% have been running it for at least 25 years and 10% for at least 50 years. These figures did not differ significantly between countries.

3.8 Perception of current economic position

Perceived economic position varied among respondents (see figure 3.9) but just over half (51.1%) took a middle-of-the road view of it as 'fair'. 22.1% of respondents perceived their current economic position as good or excellent and 26.8% perceived it as poor or bad.

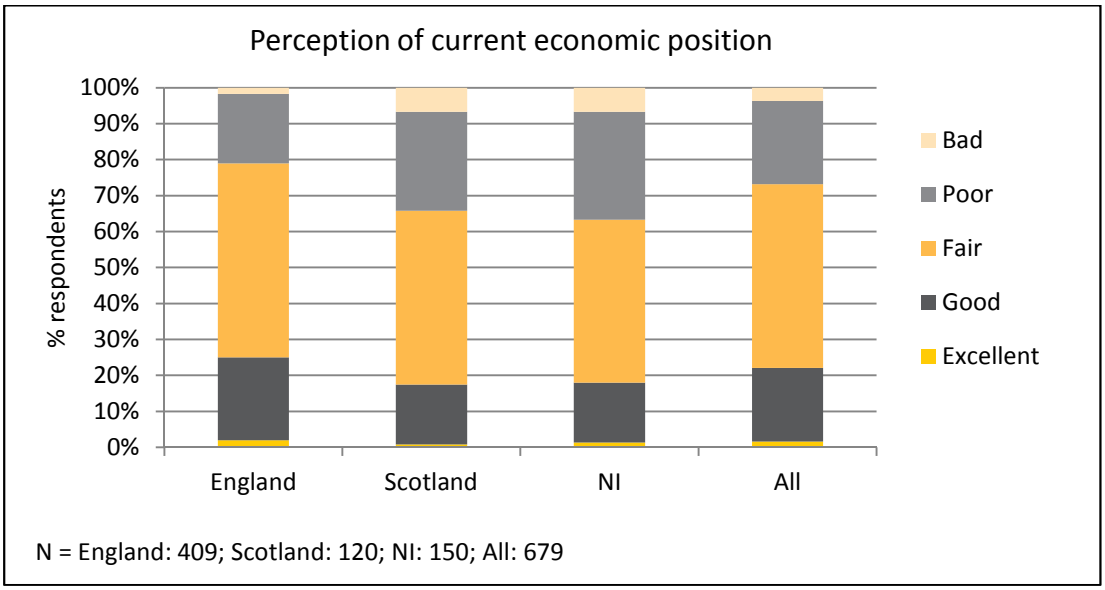


Figure 3.9 Perception of current economic position

Perceptions of the current economic position of the business are important as perceptions influence behaviour. Perceptions of current economic position appear to be more negative in NI, and more positive in England, compared to the average for all three countries. In particular, NI farmers were more likely than expected, and England farmers less likely than expected, to perceive their current economic position to be 'poor' (30% and 19.3% respectively compared to 23.1% across all countries) (χ^2 = 23.306, p = .003, 3cells (20%) have an expected count of less than 3). There were no statistically significant associations between perceptions of current economic position and farm size or type.

4. Retirement

4.1 Retirement plans

From previous research and our close connections to the sector, it is known that farmers tend to retire late, if at all. The strong identify of being a famer, the familiar refrain that it is a 'way of life' rather than just a job, and the perceived tax advantages of dying as an active farmer all combine to make the concept of retirement unattractive to many. Farmers often view full retirement at a fixed date as a distinctly urban concept and have no desire to fully cease farming. The survey confirms much of this in that respondents expect to retire at an older age than the wider population, if indeed they retire at all. The average expected retirement age (for those expecting to either retire or semi-retire) in our survey was 68.6 (with no significant differences between countries). This compares to an average real retirement age in 2018 of 65.1 for men and 63.9 for women in the wider UK population (Department for Work and Pensions, 2018).

Only 18.8% of respondents said that they plan on fully retiring. Most (57.9%) intend on semi-retiring at some stage, but 21.4% expect to never retire at all. Very few (only 1.8%) intend on leaving farming prior to retirement.

There were no significant differences between countries. There was, however, was a significant association between farm size and retirement plans (see figure 4.1), with those running smaller farms more likely to expect never to retire ($\chi^2 = 61.207$, $p < .001$, 5 cells (25%) have an expected count less than 5). 44% of those with farms less than 20 hectares in size expect never to retire, compared to 11.1% of those with farms over 200 hectares. This might be partly explained by the fact that some of these small farms are essentially 'retirement holdings': *"I sold the main farm (350 acres) in 2019 as I am now 70 … I have kept 60 acres to keep myself occupied"*. However, it is also notable that the larger the farm, the more likely respondents are to expect to semi-retire, with 73.2% of farmers over 200ha selecting this option compared with 29.3% of farms less than 20ha (57.7% across all farms). This suggests that there are particular factors relating to farm size that affect the willingness and/or ability of farmers to retire: these might include levels of farm income, business structures (i.e. whether or not it is a 'family farm') and cultural factors such as farming identities and perceptions/experiences of farming as a 'way of life'. In addition, previous research (Lobley, 2010) has demonstrated a distinct farm size dimension to succession with larger farms more likely to have a successor. Working alongside a successor gives the older generation the opportunity to ease off a little and 'semi-retire'. Such semi-retirement may not involve a significant reduction in hours but more of a change of role. In previous research (Lobley, 2014) on retirement in agriculture a farmer explained that now he was retired and had handed over to his son, he only worked 40 hours a week on the farm!

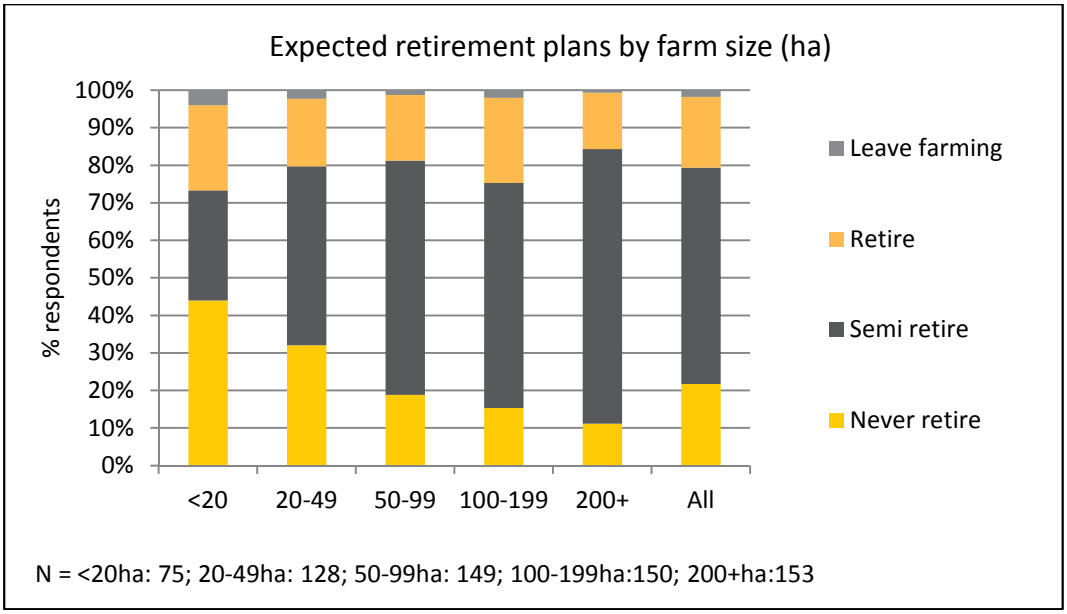


Figure 4.1 Expected retirement plans, by farm size

There was no significant relationship between expected retirement plans and farm type across the whole sample, or within Scotland or NI. However, in England cattle/sheep farmers were *more* likely (26.2%), and dairy farmers were *less* likely than expected to say that they would never retire (26.2% and 4.3% respectively, compared to 20.4% of all farmers) (χ^2 = 40.225, p = .007, 20 cells (62.5%) have an expected count of less than 5). Similar trends were apparent in Scotland (but not NI), though these were not significant at the 5% confidence level.

Respondents who owned *all* of their land were significantly more likely – and those who owned *most* of their land less likely - than expected to say they would never retire (26.5% of those owning all their land said this compared to 16.4% of those owning most of their land). Conversely, those owning all their land were less likely - and those owning most of their land more likely - to say they would semi-retire (49.6% of those owning all their land said this compared to 67.7% of those owning most of their land) χ^2 = 27.515, p = .007, 40% cells have expected count less than 5. Thus 100% owner-occupiers – perhaps those from more 'traditional', small-scale farms - appear particularly likely to never retire, whereas those with other tenure arrangements in addition to large amounts of owned land appear particularly likely to semi-retire.

There are a number of practical, financial and/or emotional reasons why farmers may find it difficult to retire, some of which were revealed elsewhere in the survey (for further examples see 4.3, 4.4 and 5.5). For instance, small-scale farms may not be profitable enough to sufficiently fund retirement or attract a successor, or may simply be retirement holdings that farmers wish to continue operating as a 'hobby', and tenant farmers face particular issues when it comes to retirement and finding a suitable home.

However, some farmers may simply not wish to fully retire, either because it is such a central part of their identity and/or because they enjoy it. For instance, one respondent (in the 'additional comments' section) said: *"Dad is semi-retired but I don't think he wants to ever fully leave the farm/business. It's become his hobby in retirement"* (England respondent).

Most respondents said that they would continue to be involved in the business in a variety of ways following retirement/semi-retirement (see figure 4.2). Only 10.2% of those who intend on retiring/semi-retiring said that they would have no involvement with the business following retirement/semi-retirement, suggesting that the vast majority of farmers retain some sort of active role in the farm well into their old age. In fact, many farmers (48.4%) expect to continue with many of the same jobs as before, albeit less intensely. This is an important finding and helps to illustrate the apparent resistance of many farmers to the concept of retirement. They are willing to transition to a phase of life where they do less work but resist what is often perceived to be an urban concept of ceasing all gainful activity.

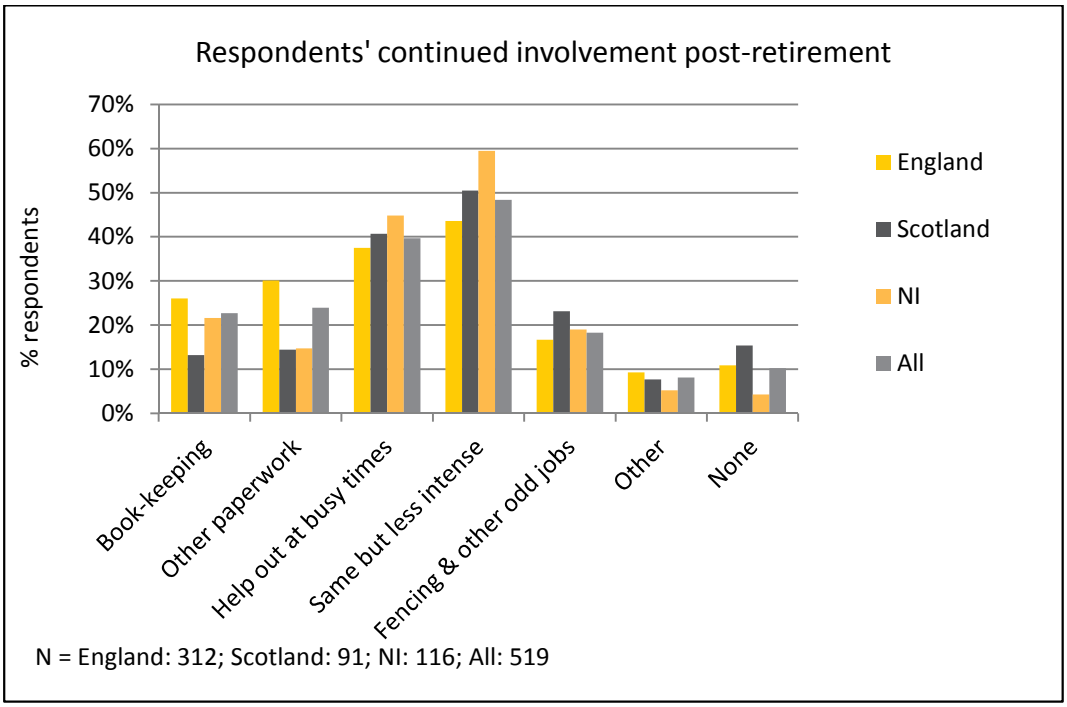


Figure 4.2 Type of involvement respondents expect to continue post-retirement

Note that there were significant differences between countries in terms of the type of continued involvement farmers expect to have post-retirement. For instance, respondents in NI were more likely than expected (and those in England less likely than expected) to continue the same jobs as before but less intensely (59.5% compared to 43.6% in England, 50.5% in Scotland and 48.4% across the whole sample. $\chi^2 = 8.764$, $p = .012$). Additionally, in Scotland, respondents were less likely than expected to continue book-keeping (13.2% compared to 26.0% in England, 21.6% in NI and 22.7% across the whole sample. $\chi^2 = 6.664$, $p = .036$). And in England, respondents were more likely than expected to continue 'other paperwork' (30.1% compared to 14.4% in Scotland, 14.7% in NI and 23.9% across the whole sample).

Most respondents (73.2%) had discussed their retirement plans with someone. Of these, at least half had discussed their plans with one or more family members (59.2% had discussed plans with their spouse and 50.0% with their child(ren)): see figure 4.3. However, only 19.7% had discussed their plans with a banker/accountant and 14% with a solicitor. One person specifically said that they had spoken to an NFUM advisor about their plans. There were significant differences between countries, with respondents in England more likely than expected, and those in NI less likely than expected, to have discussed plans with both their spouse (63.3% and 44.9% respectively compared to 62.8% in Scotland and 59.2% of all respondents: $\chi^2 = 12.800$, $p = .002$) and a banker/accountant (24.2% and 11% respectively, compared to 14.9% in Scotland and 19.7% of all respondents: $\chi^2 = 11.282$, $p = .004$). Farmers

in England were also more likely than elsewhere to have discussed their plans with a farm consultant (9.4% compared with 4.3% in Scotland, 3.4% in NI and 7.2% of all respondents: χ^2 = 6.165, p = .046). These latter differences are likely to be partly due to the larger farm sizes in the England sample, as we would expect larger farms to be more likely to employ the services of such experts. That NI respondents were less likely to discuss their plans with their spouse (and also seemingly with their children, though this difference was not statistically significant) does suggest that there may be a particular reluctance among farmers in NI to discuss retirement plans with family members.

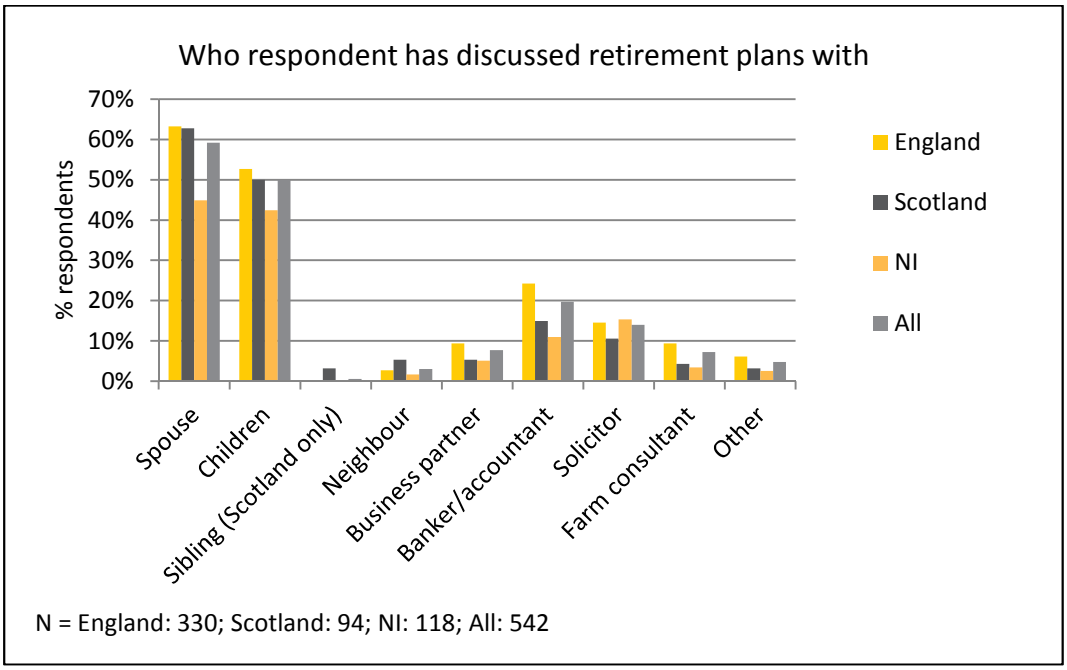


Figure 4.3 Individuals respondents had discussed retirement plans with (percentages are of those who had discussed plans with someone)

Respondents from farms of 20-49ha were significantly *less likely,* and those from farms of over 200ha *more likely,* to have discussed their plans with their children (35.5%% and 62.8% respectively had done so compared to 49.7% of all farms: χ^2 = 18.112 p = .001). In general, the likelihood of having discussed plans with children increased with farm size, with the exception of those with <20ha (who were more likely to have done so than those with 20-49ha). A similar trend was also observed in relation to discussing plans with a banker/accountant (9.7% of 20-49ha farm respondents had discussed plans with a banker/accountant compared to 27.2% of 100-199ha, 25.6% of 200+ha farm respondents, and 20.2% of all respondents: χ^2 = 14.409, p = .006).

Cattle/sheep farmers were significantly *less likely,* and mixed farmers significantly *more likely,* to have discussed their plans their children (40.3% and 59.1% respectively had done so compared to 50.0% of all farms: χ^2 = 17.866, p = .003). Other associations regarding farm type include the likelihood of discussing plans with a banker/accountant (arable farmers more likely, cattle/sheep farmers less likely), and with a farm consultant (specialist pigs/poultry and mixed more likely, cattle/sheep less likely). Full details can be found in the accompanying data tables.

The results indicate that there is an association between having not discussed plans with anyone and farm size (and possibly farm type, although this relationship was not statistically significant). In line with the findings regarding discussions with children, farms of 20-49ha

appeared the most likely, and farms over 200ha the least likely, to not have discussed their plans with anyone (36.6% of those with 20-49ha had not discussed their plans with anyone, compared to 18.6% of those with 200+ha and 26.9% of all farm sizes).

There were no statistically significant associations between farm type and respondents not having discussed their plans with anyone, although dairy (31%) and cattle/sheep (32.7%) farmers appeared more likely, and arable (21.2%) mixed (21.8%) and horticulture/other (13.8%) farmers less likely, to have *not* discussed their plans with anyone.

These findings suggest that those with smaller (but not very small) farms, and possibly cattle/sheep and dairy farms, may need particular encouragement in terms of discussing their retirement and succession plans, particularly with their children. Of course, they may feel that there is little to discuss, but their children may think otherwise.

4.2 Feelings about retirement

Around half (42-52%) of respondents said that their main reason(s) for wishing to retire/semi-retire were one or more of the following: because they were getting too old (selected by 51.3% of respondents); to make way for the younger generation (47.7% respondents); to reduce physical work (46.1% respondents); to make more time for other interests (41.7%). 26.99% wanted to reduce stress and 15% felt the farm business was not profitable enough. See figure 4.4. Significant differences between countries were found in relation to some of the reasons. Respondents in Scotland were more likely, and those in NI less likely, than expected to state 'Getting too old' as a principal reason (61.7% and 38.3% compared to 52.9% in England and 51.3% across all countries: $\chi^2 = 12.246$, $p < .05$).

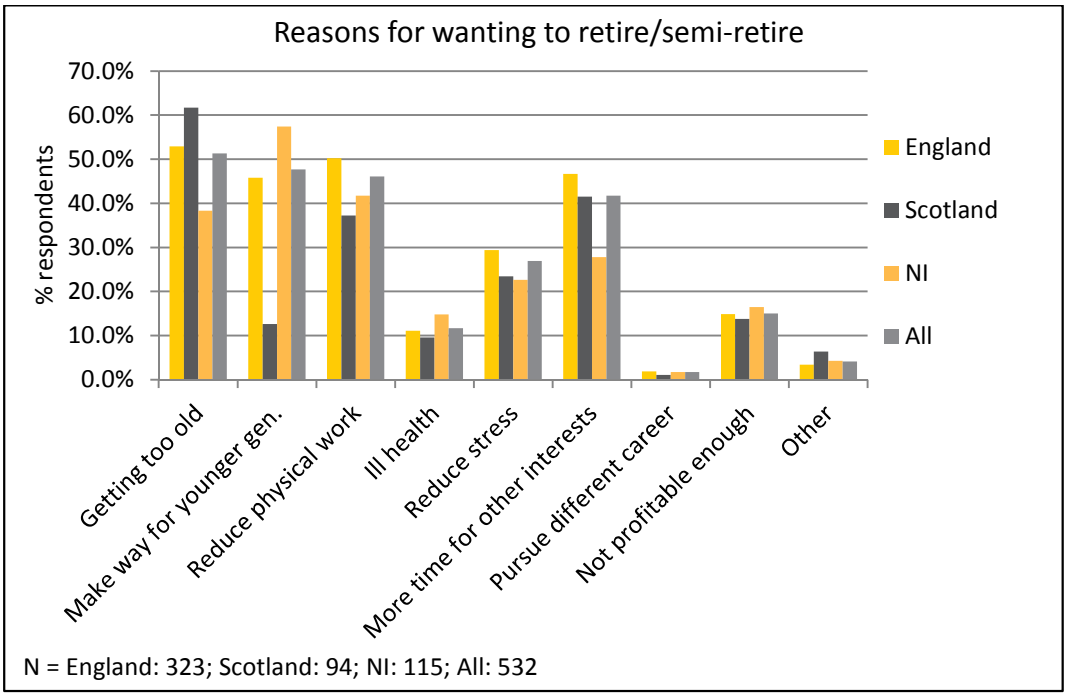


Figure 4.4 Reasons for wanting to retire/semi-retire

The factors contributing to farmers' desire to retire varied between those managing farms of different sizes: see table 4.1. Respondents with farms of over 200ha were significantly *less likely* than other farms to want to retire because they are getting too old (42.1% compared to 51.3% of all those answering this question: $\chi^2 = 13.578$, $p = .009$) or because their business

was not profitable enough (7.9% compared to 14.8% of all: χ^2 = 14.254, p = .007), but *more likely* to want to make way for the younger generation (61.1% compared to 47.6% of all farms. P =0.001) and/or to want more time for other interests (50.8% compared to 41.6% of all those answering this question: χ^2 =10.958, p = .027)). Among smaller (but not the smallest) farms, respondents were more likely than expected to say that they want to retire because the business is not profitable enough (25.6% compared to 14.8% of all: χ^2 =14.254, p = .007) but less likely than expected to cite making way for the younger generation as a reason for wanting to retire (30% compared to 47.6% of all, χ^2 = 21.830, p < .001). This finding points both to a lack of enthusiasm among those running small farms to hand over the reins to the younger generation (in comparison to other farm sizes), and to a - potentially related - reasoning among such farmers that the business is not profitable enough to delay or abandon retirement. In addition, as we shall see, many smaller farms are effectively retirement holdings that never expected to have a successor.

Table 4.1 Reasons for wanting to retire/semi-retire by farm size (ha), all countries

	<20	**20-49**	**50-99**	**100-199**	**200+**	**All**
Getting too old*	63.0%	42.2%	59.2%	54.5%	42.1%	51.3%
Make way for younger gen.*	39.1%	30.0%	48.5%	48.8%	61.1%	47.6%
Reduce physical work*	28.3%	40.0%	53.8%	45.5%	49.2%	46.0%
Ill health*	19.6%	15.6%	13.1%	11.4%	4.0%	11.5%
Reduce stress	15.2%	21.1%	26.2%	30.1%	32.5%	26.8%
More time for other interests*	26.1%	34.4%	43.1%	41.5%	50.8%	41.6%
Pursue different career	0.0%	3.3%	2.3%	0.8%	1.6%	1.7%
Not profitable enough*	13.0%	25.6%	12.3%	17.1%	7.9%	14.8%
Other	4.3%	8.9%	3.8%	3.3%	2.4%	4.3%
N	46	90	130	123	126	515

NB: columns do not total 100% due to multiple options being selected
*Significant association found at p < .05

There were significant associations between some reasons for wanting to retire and farm type: see table 4.2. Both dairy and horticulture/other farmers were more likely than expected to want to retire to reduce physical work (58.6% and 70.4% respectively, compared to 46.2% of all respondents answering this question: χ^2 = 13.391, p = .020). Dairying in particular is a very demanding job and where the possibility of a successor exists it is reasonable to expect older farmers to take advantage of the opportunity to reduce physical work. Cattle/sheep farmers were more likely, and mixed farmers less likely, than expected to cite ill health as a reason for retiring (15.9% and 2.8% respectively, compared to 11.5% of all those answering the question: χ^2 = 14.278, p = .014), whereas cattle/sheep farmers were less likely, and arable farmers more likely, than expected to want to retire so they could have more time for other interests (32.7% and 51% respectively, compared to 41.5% of all those answering the question: χ^2 = 15.132, p = .010).

Table 4.2 Reasons for wanting to retire/semi-retire by farm type, all countries

	Dairy	Cattle/ sheep	Arable/ cereals	Pigs & Poultry	Mixed	Hort. & Other	All
Getting too old	53.4%	54.5%	42.7%	50.0%	50.5%	51.9%	51.1%
Make way for younger gen.	60.3%	42.7%	47.9%	50.0%	51.4%	48.1%	47.9%
Reduce physical work*	58.6%	43.2%	39.6%	36.4%	47.7%	70.4%	46.2%
Ill health*	13.8%	15.9%	9.4%	18.2%	2.8%	7.4%	11.5%
Reduce stress	20.7%	22.7%	30.2%	40.9%	30.8%	37.0%	27.0%
More time for other interests*	37.9%	32.7%	51.0%	54.5%	48.6%	48.1%	41.5%
Pursue different career	0.0%	2.7%	2.1%	0.0%	0.0%	3.7%	1.7%
Not profitable enough	6.9%	18.2%	10.4%	13.6%	18.7%	11.1%	15.1%
Other	1.7%	6.4%	5.2%	0.0%	1.9%	0.0%	4.2%
N	58	220	96	22	107	27	530

NB: columns do not total 100% due to multiple options being selected
*Significant association found at p < .05

Strikingly, 72.6% of those intending to retire/semi-retire said that the element of farming they will miss most is the way of life (see figure 4.5). 44.7% also said that they would miss working with stock (this rises to 54.9% when arable and horticulture/other farmers are excluded). In the Scotland survey, 'connection to the land' was included as an option and this was selected by 42.9% of respondents there. The other options suggested in the survey were each selected by less than 20% of respondents overall. These figures demonstrate the very strong ties that bind farmers to their farming life, which in turn means there are no simple solutions to the issue of encouraging earlier and planned retirement within UK agriculture.

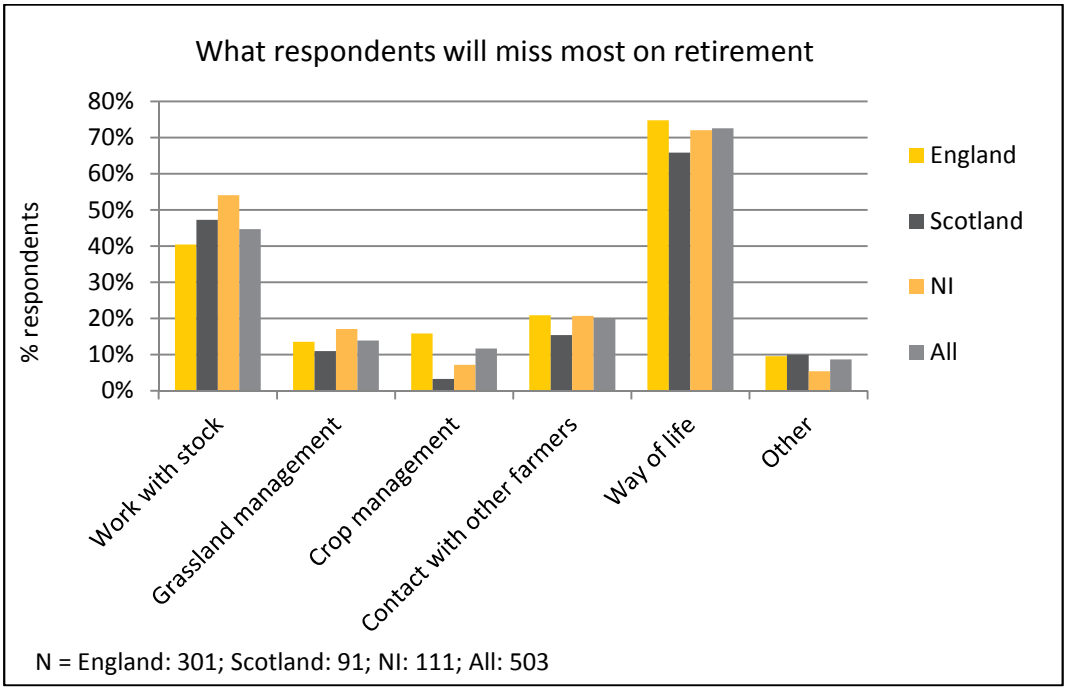


Figure 4.5 Elements of farming that respondents will miss most on retirement
NB: Respondents were asked to select up to two options

Whilst there were some differences observed between countries, this is most likely related to the different weightings of farm types within each region (e.g. the higher proportion of respondents stating they would miss crop management in England compared to in NI is unsurprising since the England sub-sample had a significantly higher proportion of arable farmers than the NI sub-sample). Similarly, the only significant associations with farm type were where there is a clear relationship between the element described and the type of farm (e.g. arable farmers being more likely to select 'crop management' and less likely to select 'stock management'). In terms of farm size associations, very large farms were less likely than expected to select 'stock management' and more likely to select 'crop management' despite more of the very large farms in the sample including some sort of livestock as an enterprise (at least 74%[7]) than being purely arable (28%).

As shown in figure 4.6, over half (58.4%) of respondents will be most pleased to give up the stress associated with farming when they retire. 'Paperwork' was also selected by half (49.9%) of respondents as an element of farming they will be most pleased to give up, and 'long hours' by 40.7%.

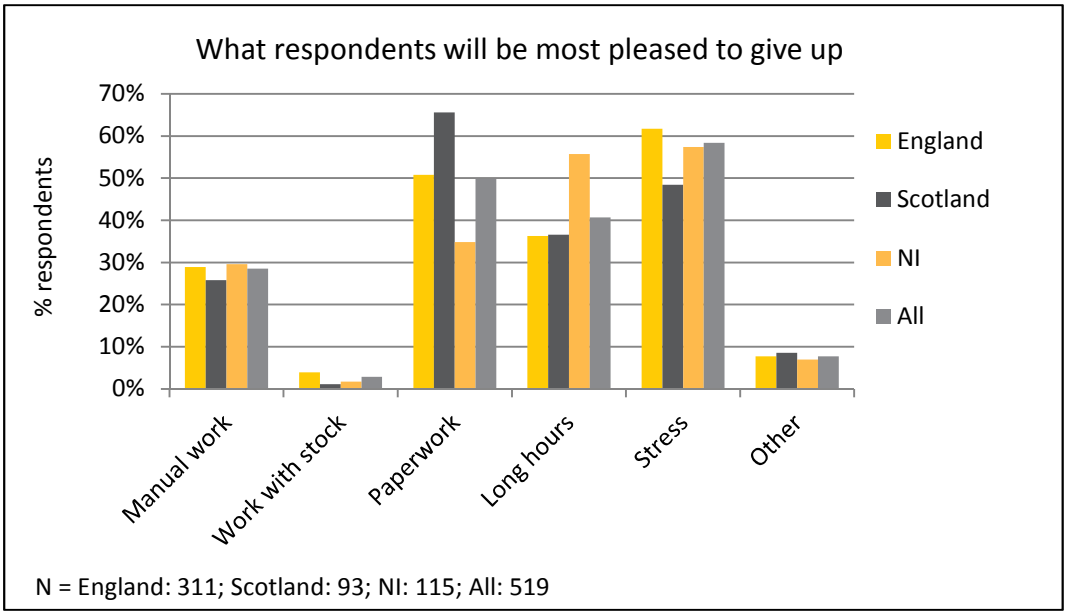


Figure 4.6 Elements of farming that respondents will be most pleased to give up on retirement

NB: Respondents were asked to select up to two options

There were not significant differences between countries for this question except for in relation to 'paperwork' and 'long hours'. Paperwork appears to be a particular issue in Scotland where farmers were more likely than expected to be most pleased to give this up (65.6%), in contrast to NI where farmers were less likely than expected to say this (34.8%) (in England the figure was 50.8%. $\chi^2 = 19.774$, $p < .001$). On the other hand, long hours appears to be more of an issue for farmers in NI (where 44.7% respondents selected this as an element they will be most pleased to give up) than in England (36.3%) or Scotland (36.6%) ($\chi^2 = 13.774$, $p = .001$).

[7] Includes dairy, cattle/sheep and pigs/poultry farms but not mixed or horticulture/other

There were no significant associations with what respondents will be most pleased to give up and farm size or farm type.

4.3 Retirement housing

Only 22.3% of respondents plan on moving from their current place of residence when they retire. Over half (52.7%) do not plan on moving and the remaining 25% are undecided (see figure 4.7). In NI, respondents were significantly more likely than expected to say they would not be moving, with almost three-quarters (73.1%) saying this compared to 48.5% in England and 41.5% in Scotland and 52.7% of all farmers ($\chi^2 = 28.513$, $p < .001$).

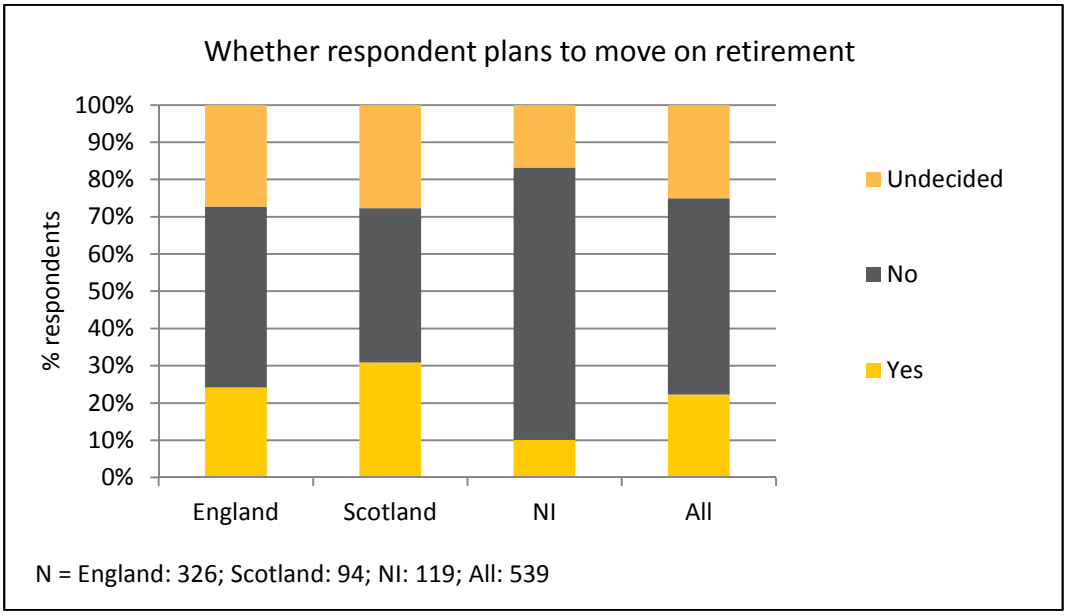


Figure 4.7 Plans to move residence on retirement

As shown in table 4.3, most of those who do plan on moving expect to stay in the local area, with 47.7% planning on staying within 10 miles of their current residence and another 31% only moving between 10 and 25 miles away. Again, NI respondents were more likely than expected to stay close to home (77.8% planned to move within 10 miles, compared to 47% in England and 35.1% in Scotland: $\chi^2 = 16.964$, $p = .03$) and in fact no NI farmer said they would be moving further than 25 miles. Scotland farmers were more likely than expected to be planning to move over 100 miles away, though this was still only 8.1% (compared to 1% in England and 0% in NI).

Table 4.3 Distance respondent plans to move from current residence (if plans to move)

	England	**Scotland**	**NI**	**All**
Within 10 miles	47.0%	35.1%	77.8%	47.7%
Within 25 miles	30.0%	37.8%	22.2%	31.0%
Within 50 miles	15.0%	8.1%	0.0%	11.6%
Within 100 miles	7.0%	10.8%	0.0%	7.1%
Over 100 miles	1.0%	8.1%	0.0%	2.6%
Total	100%	100%	100%	100%
N	100	37	18	155

Of those planning to move on retirement, 35.3% plan to live on another house on the farm, whilst 41.7% will move to a village/town (9% to a smallholding, 1.3% to live with relatives and 12.8% to 'other'). Again, NI respondents were significantly more likely to retain physical presence on the farm, with 70.6% moving to another house on the farm (compared to 32% in England and 27.8% in Scotland: $\chi^2 = 17.625$, $p = .024$)

Wishing to remain living on the farm and/or not having other housing options can pose a barrier to retirement for some farmers, particularly those who rent their property. For instance, in the survey's 'additional comments' section, one respondent noted:

> *"I rent the house and land on an AHA (1986) tenancy. My son has made his own career outside farming so will not be able to succeed me on the farm. Because myself and my wife wish to stay on the farm, I do not know when I will retire"* (England respondent).

4.4 Retirement income

As depicted in figure 4.8, 82% of all respondents said that they had already made plans for financing their retirement, thought farmers in NI were less likely than expected to have done so with only 72% having made plans (compared to 85% in England and 86% in Scotland: $\chi^2 = 69.186$, $p < .001$), though this may be related to the younger age profile of the NI sub-sample.

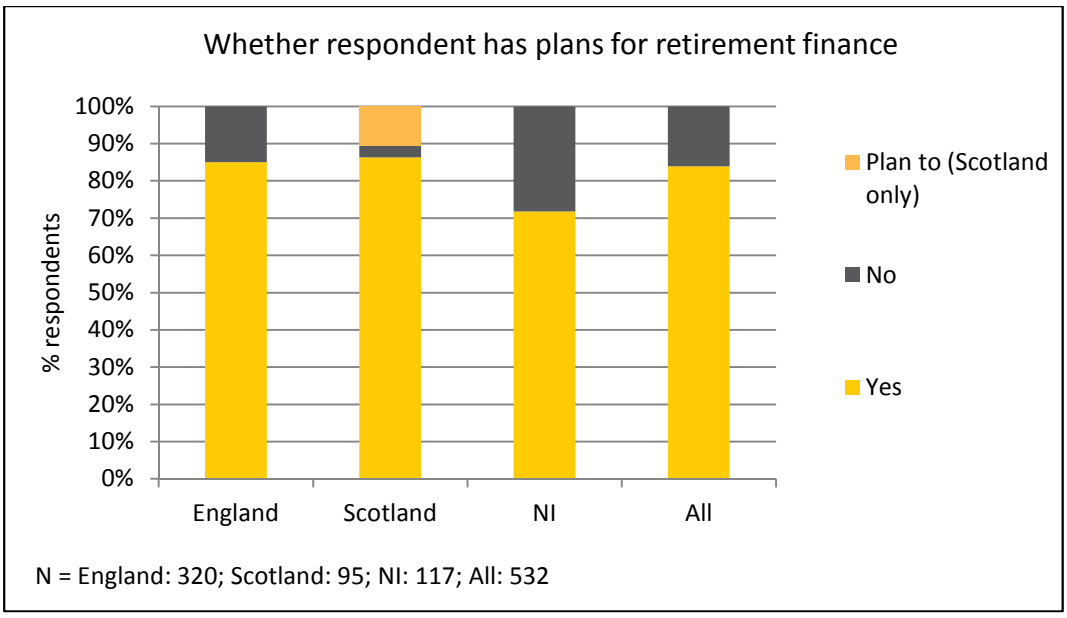


Figure 4.8 Whether respondent has plans for retirement finance (if plan to retire)

Horticulture/other farmers were more likely than expected (96.4%), and both dairy (72.4%) and cattle/sheep (77.5%) farmers less likely, to have plans for their retirement income. The likelihood of having made plans for retirement income increases with farm size over 20ha, with 93.7% of 200+ha farms having plans compared to 73.9% of 20-49ha farms ($\chi^2 = 24.998$, $p = .002$, 5 cells (33.3%) have expected count less than 5). Farms smaller than 20ha, however, do not follow this pattern, with 90.7% having made finance plans.

Respondents expect to draw retirement income from a variety of sources (see figure 4.9), the most common being either a private pension (72.9% of respondents) and/or a state pension (69.9% of respondents). 42.5% of respondents also plan to draw an income from their current farm business. Their retirement income is thus likely to be dependent, at least to some degree,

on the continued success of the business and this is one of the reasons why many find it difficult to hand over management of the business to a successor.

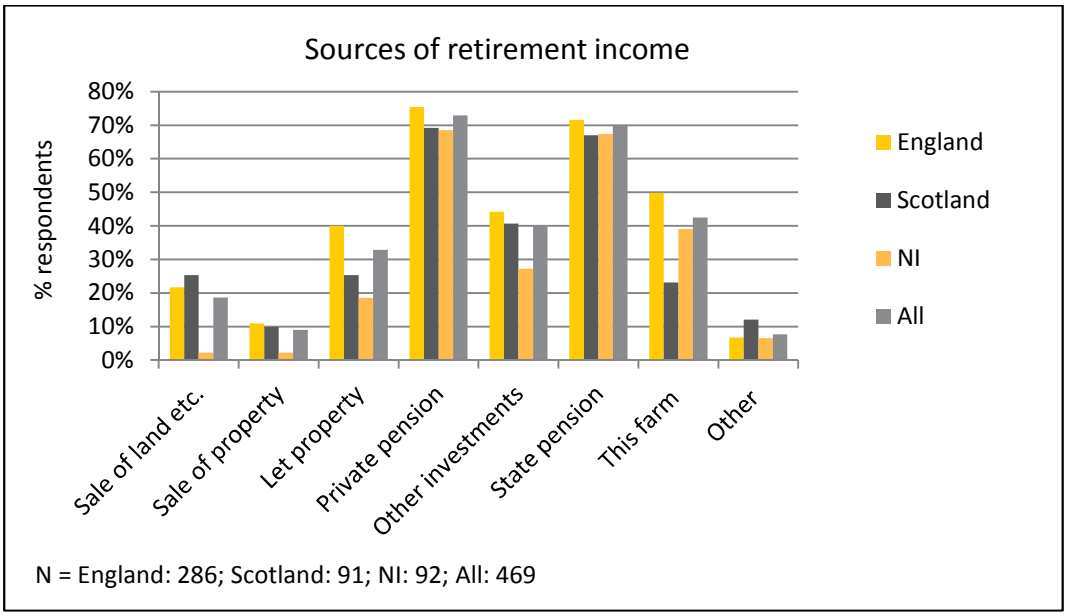


Figure 4.9 Sources of retirement income

These figures do, however, vary between countries, most notably in relation to 'sale of land etc.' (χ^2 = 20.906, p < .001), 'let property' (χ^2 = 17.751, p < .001) and 'other investments' (χ^2 = 8.410, p = .015), which were all more likely than expected to be selected by England respondents, and less likely than expected to be selected by NI respondents. England respondents were also more likely than expected, and Scotland respondents less likely, to plan to draw an income from their current farm (49.8% and 23.1% respectively said this, compared to 39.1% in NI and 42.5% of all respondents: χ^2 = 20.730, p < .001). This suggests that whilst farms in England may, in general, have a greater variety of income sources to draw on in their retirement, many – in fact half of all farms here – still plan to rely on the farm to finance their retirement, at least to some extent. It appears that contract farming may be more of an option for England farmers (perhaps because of the larger farm sizes) as 12.4% of those saying they would use income from their current farm said that this would take the form of contract farming – although this is still a relatively small amount, it is significantly more than the 2.7% in Scotland (and 5.3% in NI) who said the same (χ^2 = 8.319, p = .016).

There were also significant relationships between farm size and most sources of retirement income: see table 4.4. Most notably, very small farms were more likely than expected to draw an income from the sale of property (18.6% plan to do so compared to 9.2% of all farms. χ^2 = 11.112, p = .025), but less likely than expected to draw in income from their current farm (14% plan to do so compared to 42.3% of all farms. χ^2 = 17.622, p = .001). Very large farms, on the other hand, were less likely than expected to draw an income from the sale of land etc. (9.2% plan to do so compared to 18.6% of all farms. χ^2 = 10.336, 0.035) and the sale of property (3.3% plan to do so compared to 9.2% of all farms. χ^2 = 11.112, p = .025), but more likely than expected to draw an income from other investments (50% plan to do so compared to 40.1% of all farms. χ^2 = 9.627, p = .047) and from a private pension (84.2% plan to do so compared to 72.8% of all farms. χ^2 = 11.830, p = .019).

Table 4.4 Sources of retirement income by farm size (ha), all countries

	<20	20-49	50-99	100-199	200+	All

Sale of land etc.*	18.6%	22.4%	21.1%	24.1%	9.2%	18.6%
Sale of property*	18.6%	13.2%	10.1%	8.3%	3.3%	9.2%
Let property*	14.0%	30.3%	31.2%	39.8%	36.7%	32.9%
Private pension*	62.8%	67.1%	70.6%	70.4%	84.2%	72.8%
Other investments*	41.9%	31.6%	33.0%	41.7%	50.0%	40.1%
State pension	67.4%	69.7%	76.1%	73.1%	61.7%	69.7%
This farm *	14.0%	39.5%	49.5%	46.3%	44.2%	42.3%
Other	11.6%	3.9%	8.3%	8.3%	8.3%	7.9%
N	43	76	109	108	120	456

NB: columns do not total 100% due to multiple options being selected
*Significant association found at $p < .05$

46.9% of farmers who plan to draw income from their current farm to finance their retirement said this income will come from 'continuing present farming activities', rather than other arrangements such as contract or share farming or letting out land (no significant difference between countries); again highlighting that 'retirement' for many farmers remains very closely linked to farming activity. For many respondents, income from the current farm (whether from actively continuing farming activities or other arrangements) will make up a relatively small proportion of their retirement income: 55.9% (of those planning to draw a retirement income from the farm) said that this would make up less than a quarter of their total retirement income. Nevertheless, for some farmers, their future income is closely tied to the farm's future prospects, with 13.8% (of those drawing an income from the farm, 8% all farmers planning to retire/semi-retire) relying on the business for over half of their retirement income. There was no significant relationship between farm size and the proportion of retirement income to be drawn from the current farm.

5. Succession

5.1 Presence or absence of a potential successor

Across the sample as a whole 28.5% of respondents have not yet identified a potential successor. On the other hand, 45.4% have identified a successor whilst 26.1% said it's too early to say (see figure 5.1). Given that the sample includes farmers of a range of ages, this represents quite a good level of anticipated succession. There was a significant difference between countries, with respondents in NI both more likely than expected to have identified a potential successor, and less likely not to have done so (rather than stating it was too early to say) (53.5% in NI had identified a successor compared with 44.2% in England and 39.8% in Scotland: $\chi^2 = 21.847$, $p < .001$).

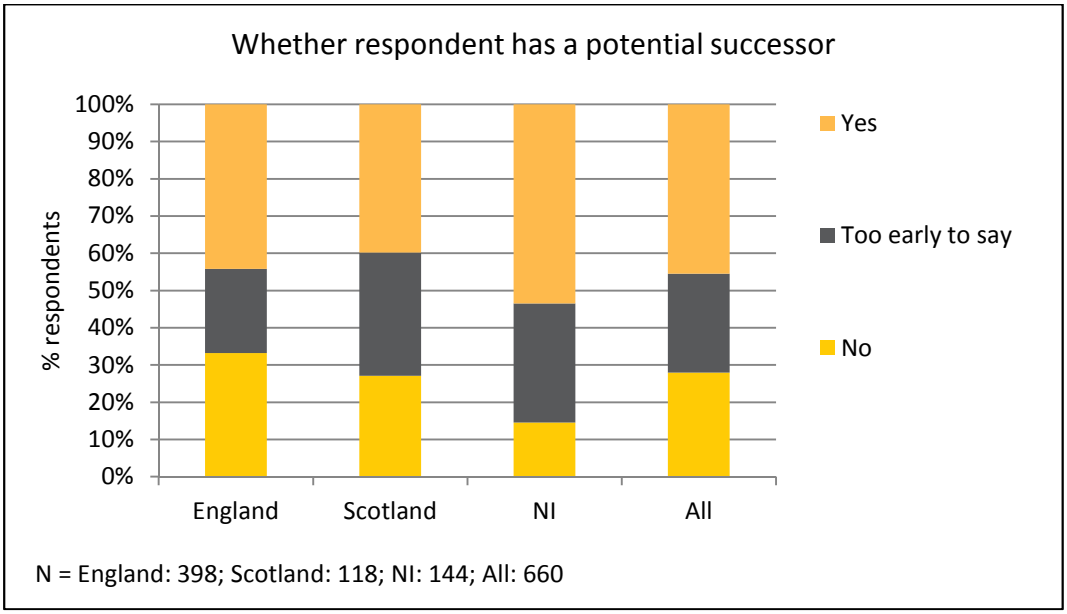


Figure 5.1 Does the respondent have a potential successor?

Unsurprisingly, there is a significant relationship between presence/absence of a successor and age, with older respondents *more likely* to have identified a potential successor ($\chi^2 = 30.232$). However, there is still a significant proportion of older farmers who have not yet identified a successor: Over a quarter (27.6%) of respondents over the age of 65 (i.e. already of state pension age) do not currently have a successor: see figure 5.2. This should not necessarily be thought of as a problem. The apparent failure to secure a successor potentially provides an opportunity for new entrants, although as commented earlier, there are relatively few new entrants in the farming population suggesting that failure of familial succession is a necessary but not sufficient condition to facilitate new entrants.

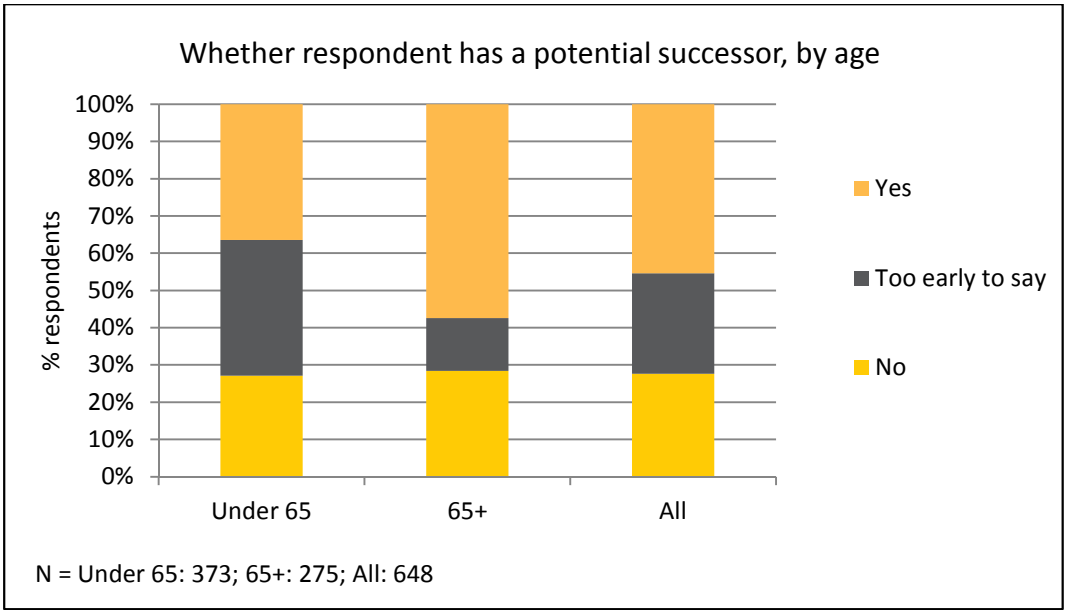


Figure 5.2 Whether respondent has a potential successor by whether respondent is of state pension age

There is also a significant relationship between farm size and whether or not a potential successor has been identified ($\chi^2 = 30.232$, $p < .001$): see figure 5.3. In general, the smaller the farm, the *less likely* they were to have a successor, although there is no notable difference between respondents with farms of 50-99ha and those with 100-199ha. 59.5% of very large farms, compared to just 25% of very small farms, had already identified a potential successor. The same trend was present in England ($\chi^2 = 30.248$, $p < .001$), and to some extent in Scotland (significant: $\chi^2 = 20.059$) and NI (not statistically significant) but in these countries the very smallest farms (<20ha) were more likely than the small farms (20-49ha) to have identified a successor.

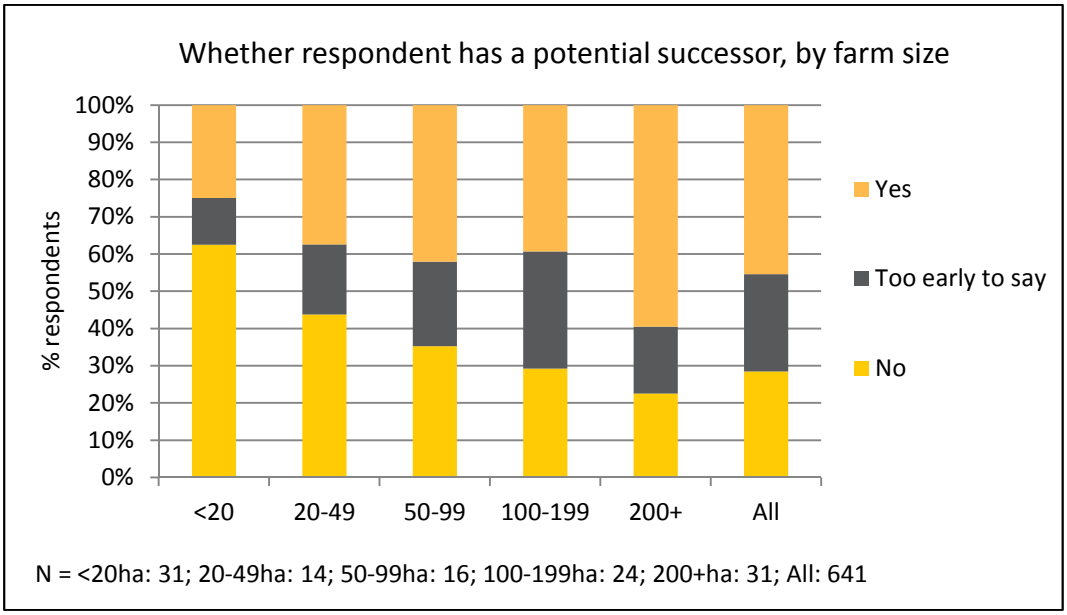


Figure 5.3 The relationship between identification of a potential successor and farm size (ha).

The association between having a potential successor and farm size may in part reflect the 'succession effect', whereby businesses are grown in order to attract and sustain a successor. It is also a reflection of the nature of some of the smallest farms which, as we have seen, are essentially 'retirement holdings' that would never have been expected to attract a successor. This analysis demonstrates the complexity of the succession question and illustrates why caution should be exercised over using a single figure to capture anticipated rates of succession.

No statistically significant relationship was observed between farm type and the likelihood of having a successor.

Unsurprisingly, there is a significant association (both within individual countries and the sample as a whole) between whether the respondent has identified a potential successor and whether or not they have children (23.5% of those with children do not have a successor, compared to 54.1% of those without children. $\chi^2 = 51.608$, $p < .001$.). However, this is not the whole story, as only around half (50.7%) of respondents with children have definitely identified a potential successor, despite 83.5% (of those with children) having a son aged 18 or over and 84.2% having a daughter aged 18 or over. This may be indicative of a reluctance (or inability for some other reason) among the younger generation to pursue farming as a career – or indeed discouragement from their parents to do so. Such sentiments were indicated elsewhere in the survey: see section 5.6.

A significant association was also found between having a potential successor and farm tenure ($\chi^2 = 24.138$, $p = .002$. 20% cells have expected count of less than 5). Farmers who owned 100% of their land were less likely than expected to say they had identified a potential successor (37.0% said this compared to 60.2% of those who mostly rent their land and 46.5% of all respondents), and more likely to say that it was 'too early to say' (31.3% compared to 16.3% of those who mostly rent their land and 25.5% of all respondents). Conversely, those who rented most of their land (but not those who rent 100% of their land) were more likely than expected to have already identified a potential successor and less likely to say that it was 'too early to say' (see figures in previous sentence). This finding is most likely related to tenure being significantly associated with farm size ($\chi^2 = 91.416$, $p < .001$), as very small and small farms are more likely, and very large farms less likely, to be 100% owned (75.4% of very small farms and 51.3% of small farms were 100% owned compared with 19.2% of very large farms). Conversely, very large farms were more likely to be of mixed tenure (41.8% were mostly owned compared with 23.1% of small farms and 1.6% of very small farms, and 28.1% were mostly rented/other compared with 16.2% of small farms and 6.6% of very small farms). We can thus conclude that small-scale 'traditional' owner-occupiers appear to find it more difficult to attract a successor than larger businesses, which tend to have more diverse tenure arrangements.

Of those who said it was too early to say if they had a potential successor, 81.7% did hope to identify one at some point. Respondents in NI were more likely than expected, and those in England less likely, to hope to have a successor (97.9% and 75.4% respectively hoped to have one, compared to 81.8% in Scotland: $\chi^2 = 11.767$, $p = .003$). Identifying a successor therefore appears important to most farmers across the three countries, but particularly so in NI. As might be expected given the relative histories and long-term security of owner-occupied vs. tenanted land, respondents owning most or all of their land were more likely to say that they did hope to identify a successor (if they hadn't already done so) than those who rented most or all of their land (84.5% of those owning all their land and 92.3% of those owning most of their land hoped to have a successor, compared to 69.2% of those renting most of their land

and 68.2% of those renting all of their land. χ^2 = 10.299, p = .036, 40% cells have expected count less than 5). This suggests that the relative lack of successors being identified among small-scale, owner-occupied farms (reported above) is not the desired state of affairs for these operators but rather an indicator of difficulty in securing succession.

5.2 Future of the farm in the absence of a successor

Where no potential successor has been identified, there was a range of expected outcomes concerning the future of the farm. Around a third (35.7%, ranging from 34.2% in England to 22.6% in Scotland and 46.9% in NI) of those without a successor expected the farm to be inherited by family and either sold or leased out: see figure 5.4. Over a fifth (21.9%) of those without a successor were very uncertain about what will happen to their farm.

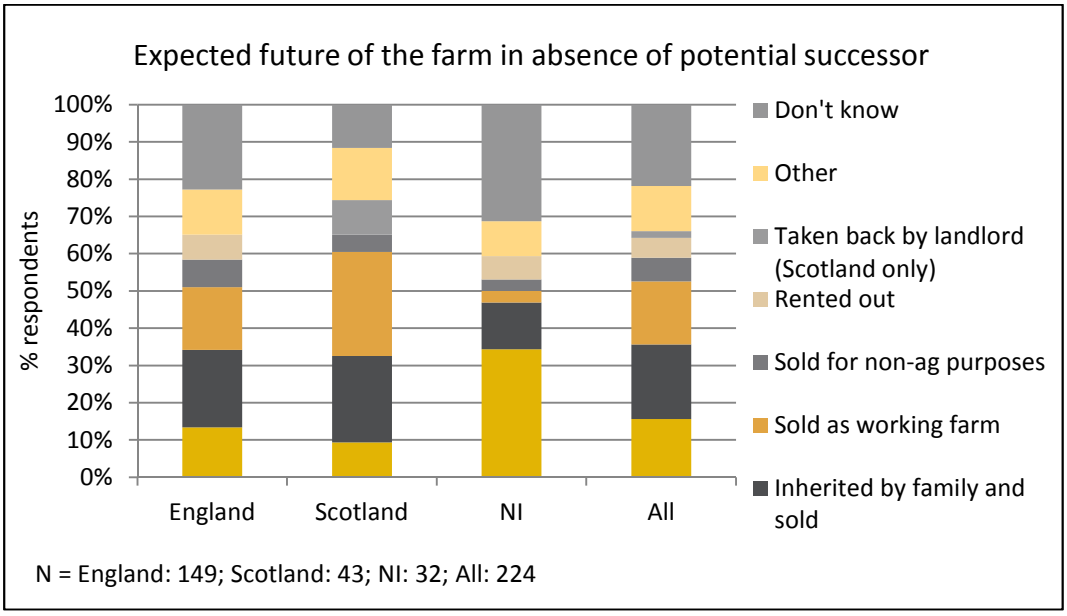


Figure 5.4 Expected future of the farm in absence of potential successor

There were some differences between countries (χ^2 = 40.994, p < .001, 8 cells (33.3%) have expected count less than 5), with NI farmers more likely than expected (34.4% compared to 13.4 % in England, 9.3% in Scotland and 15.6% of all farms) to say the farm would be inherited by family but leased out (rather than sold) and less likely than expected (3.1%) to say the farm would be sold as a working farm, whereas in Scotland farmers were more likely than expected (27.9%) to anticipate this latter outcome (16.8% in England and 17% across all farms).

5.3 Characteristics of successors

A closer look at identified successors reveals the continuation of a strongly gendered element to farming and succession. Of those respondents with a potential successor, 72.3% identified a son as the person most likely to succeed and 17.7% identified a daughter: see figure 5.5. This is despite only a small difference in the proportions of sons and daughters among respondents (17.9% only have sons, 16.2% only have daughters and 51.3% have both sons and daughters). 95% of those with only sons, and 86.3% of those with both sons and daughters, identified a son as the first successor. This compares to 85.7% of those only with daughters, and 10% of those with both sons and daughters, who identified a daughter as the first successor. There were no statistically significant associations between respondent-successor relationships and countries.

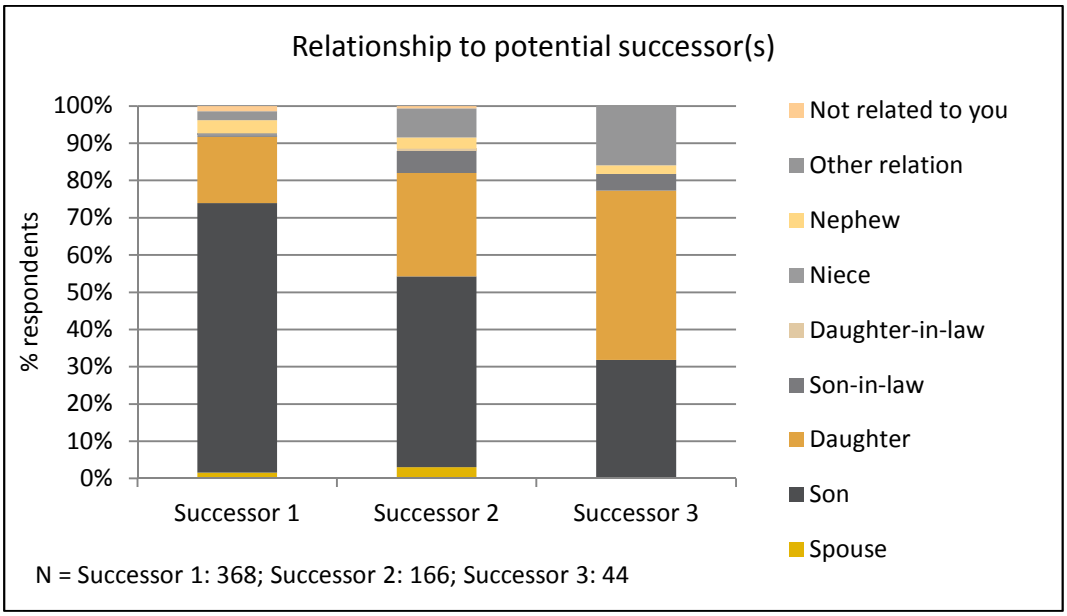


Figure 5.5 Relationship to potential successor(s)

The mean age of the person identified by respondents as most likely to take over the farm was 31.8 years old. 87.3% of 'first successors' were 18 years or older at the time of the survey, and 38.5% were 35 years or older (see figure 5.6). 8.8% were 50 years or older, meaning that with only a maximum of 15 years left of their (conventional) working life, they still had not taken control over the farm they were destined to succeed to.

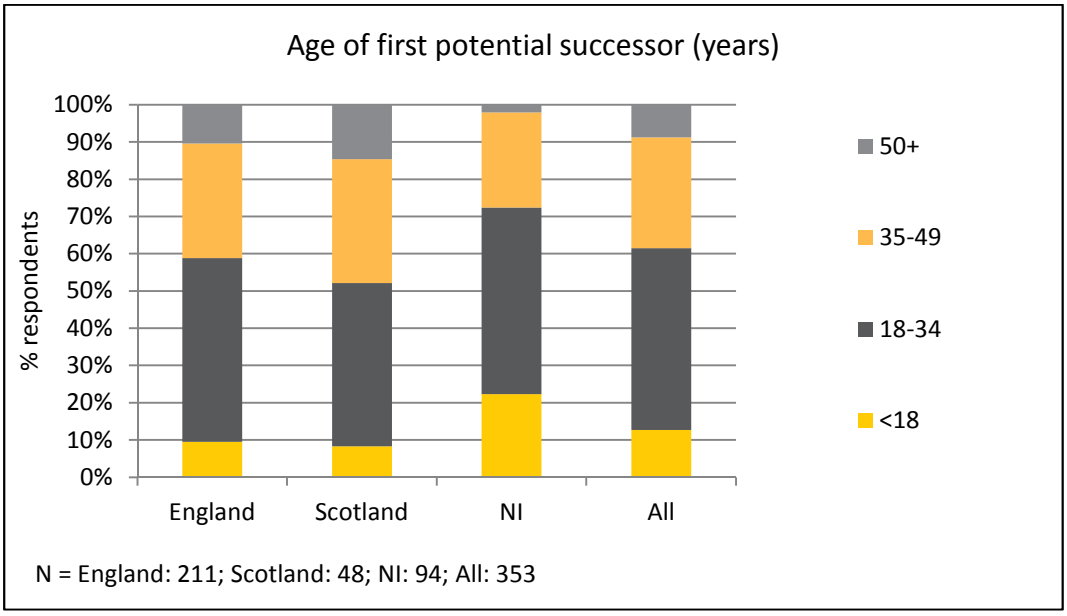


Figure 5.6 Age of first potential successor

Furthermore, half (49.7%) of those with a potential successor were over the conventional retirement age of 65 yet had identified a successor who was 18 years or over, and a third (33.6%) were over 65 yet had identified a successor who was 35 years or older; i.e. of an age where they might reasonably be expected to take over the farm. A sizeable minority of farmers thus appear to be delaying retirement and retaining overall control of the farm even though they have a successor who could theoretically take over the reins. There are likely to

be a number of reasons for this, including issues relating to Agricultural Property Relief (APR): see section 5.5.

In NI, however, successors were less likely than expected to be over 50 (2.1% compared to 10.4% in England and 14.6% in Scotland: $\chi^2 = 17.654$, $p = .007$, 1 cell (8.3%) has expected count less than 5), more likely to be under 18 (22.3% compared to 9.5% in England and 8.3% in Scotland) and the mean age was notably younger than the other countries at 26.9 years old (33.2 in England, 34.9 in Scotland). This is unsurprising given the younger age profile of NI respondents themselves but, taken together with the earlier findings reported in this section, it suggests that in NI there is a greater chance of farmers being able to identify a successor (usually their son or daughter) and of handing over the reins whilst that successor is at a younger age than in England or Scotland. This does not mean that there are no issues at all, however. Whilst lower than the figure for the other countries, in NI 40.2% of those with a successor are over 65 but have a successor over 18 years old and 28.3% are over 65 but have a successor over 35 years old.

54.9% of those with a potential successor expect the successor to work full-time, and 45.1% part-time, when they take over the running of the farm (no significant differences between countries).

Over half of those identified as most likely to succeed are currently engaged in agriculture as their main occupation; 38.1% are working primarily on the respondent's farm, 7.8% are working primarily on another farm, and 7.8% are in other agriculture-related employment. 22.5% are working in non-agricultural employment and 14.4% are in full-time education (see figure 5.7). There were no significant differences between countries.

Figure 5.7 Successor's current main occupation

Succession and inheritance are neither straightforward nor necessarily concurrent matters and farms may often be split between numerous non-succeeding family members. 40.3% of those with a successor also have one or more other family member who will inherit a share of the farm. This is particularly the case in England, where 46% said a non-succeeding family member will inherit a share of the farm, in contrast to NI where only 26.3% said the same (39.1% in Scotland. $\chi^2 = 19.437$, $p = .001$) - here farmers appear more willing to make no

provision for non-succeeding heirs in their wills in favour of keeping the farm as one unit. See 5.6 for more on these issues.

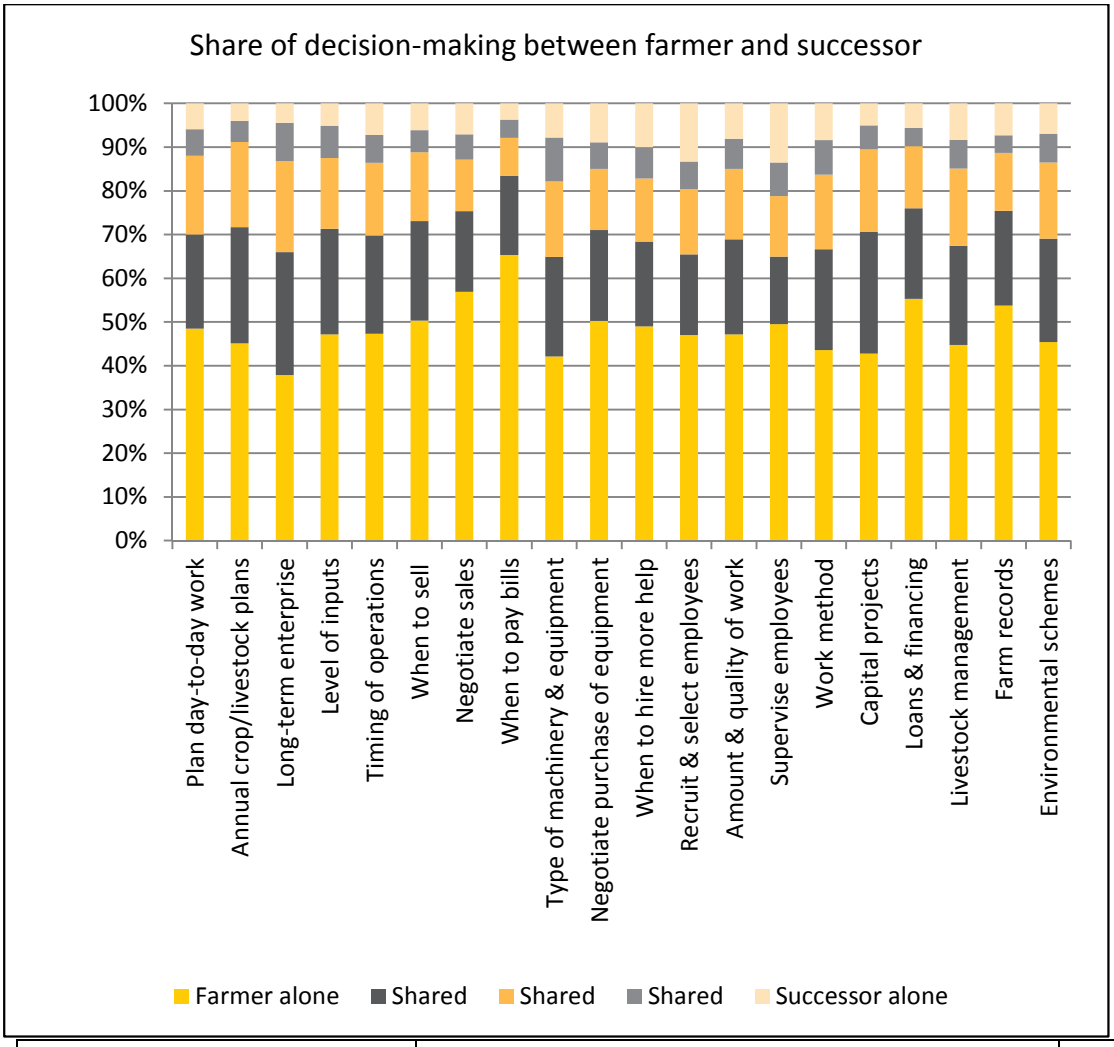
5.4 Farmer and successor decision-making

Intergenerational succession is not a single event; it is a process that can take place over many years. Ideally this should involve the progressive delegation of decision making to a successor. The concept of the 'succession ladder' captures this process whereby the successor begins by working for the incumbent farmer. Over time the successor and incumbent farmer begin to share more decisions, typically starting with decisions such as planning day-to-day work and deciding on working methods. Decisions concerning finances and paying bills are typically the last to be shared or delegated (Lobley et al., 2010; Errington, 1998). In the current survey, as figure 5.8 illustrates, in the majority of cases, most management decisions are taken wholly or primarily by the farmer.

The 5 most common areas where decisions were taken wholly or primarily by the farmer all related to financial decisions or paperwork. These were: 'Decide when to pay bills'; '; 'Identify sources and negotiate loans and financing'; 'Negotiate sales of crops/livestock' and 'Decide when to sell crops/livestock' and 'Keeping farm records'. Where responsibility for decisions was given wholly or primarily to the successor, these most commonly related to managing employee labour and/or deciding the type of machinery and equipment to buy. Note, however, that even these decisions were only made wholly or primarily by the successor in less than a quarter of cases.

There were a few differences between countries in some cases. For example, in NI, respondents were less likely than expected to say that the farmer makes decisions alone regarding work methods ($\chi^2 = 44.289$, $p < .001$, 2 cells (13.3%) have expected count less than 5), livestock management ($\chi^2 = 20.718$, $p = .008$, 2 cells (13.3%) cells have expected count less than 5), and farm records ($\chi^2 = 18.597$, $p = .017$, 2 cells (13.3%) have expected count less than 5). The mean score given to all tasks by respondents was also slightly higher (i.e. more control was given to the successor) in NI (2.07) than in either England (1.81) or Scotland (1.69)

Arguably in deviation from the above findings, 31.4% of those with a successor currently working on their farm said their successor had full responsibility for at least one enterprise (no significant differences between countries). The enterprise that successors were responsible for varied, but most commonly related to a livestock enterprise or diversification.



Label	Full description	N
Plan day-to-day work	Plan day-to-day work	410
Annual crop/livestock plans	Make annual crop/livestock plans	399
Long-term enterprise	Decide the mix and type of enterprises in the long run	385
Level of inputs	Decide the level of inputs to use	390
Timing of operations	Decide the timing of operations	391
When to sell	Decide when to sell crop/livestock	395
Negotiate sales	Negotiate sales of crops/livestock	381
When to pay bills	Decide when to pay bills	401
Type of machinery & equipment	Decide type and make of machinery and equipment	399
Negotiate purchase of equipment	Negotiate purchase of machinery and equipment	394
When to hire more help	Decide when to hire more help	361
Recruit & select employees	Recruit and select employees	315
Amount & quality of work	Decide amount and quality of work	360
Supervise employees	Supervise employees	311
Work method	Decide work method/way jobs are done	381
Capital projects	Decide and plan capital projects	383
Loans & financing	Identify sources and negotiate loans & financing	358
Livestock management	Livestock management	362
Farm records	Keeping farm records	398
ELMs	Decide whether to participate in environmental schemes (and, if so, which options to take)	379

Figure 5.8 Share of decision-making between farmer and successor

The share of decision-making does shift according to the age of the potential successor, as might be expected. Figure 5.9 presents the mean score given to all tasks cross-tabulated with the age of the first potential successor. This graph clearly indicates that successors do take on a greater share of decision-making as they grow older. Nevertheless, there are still successors aged 50 years or older who have not yet taken primary responsibility for the bulk of farming tasks.

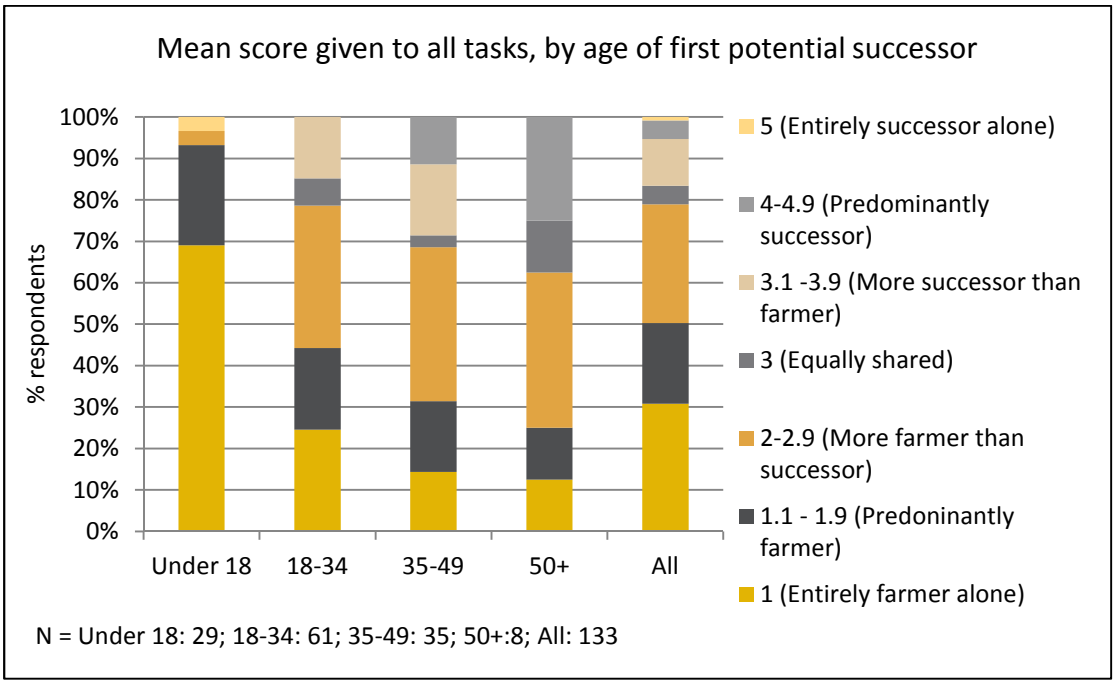


Figure 5.9 Share of decision-making between farmer and successor, by successor age

5.5 Succession and inheritance planning

Only 18.0% of all respondents, and 28.3% of those with a potential successor, have a formal succession plan (see figure 5.10) (no significant differences between countries).

Respondents who were 65 years or over and had a potential successor were significantly *more likely* to have a formal plan than others (38.4% had a formal plan compared to 18.7% of those under 65) (χ^2 = 20.547, p < .001) but this still leaves over half (61.6%) of conventional retirement-age respondents (and 81.3% of younger farmers) without one. This appears to be a particular issue in England, where only 32% of those who had a potential successor and were over 65 years old had a formal succession plan, compared to 53.6% in Scotland and 47.6% in NI.

There were no significant associations between the presence/absence of a formal succession plan and either farm type or size, with the exception of within the NI sub-sample, where farms of 20-49ha were less likely than expected to have a formal succession plan than other farms in NI (14.7% of those with successors had a formal plan, compared to 33.3% across all farms in NI (χ^2 = 10.607, p = .031, 4 cells (40%) have expected count less than 5).

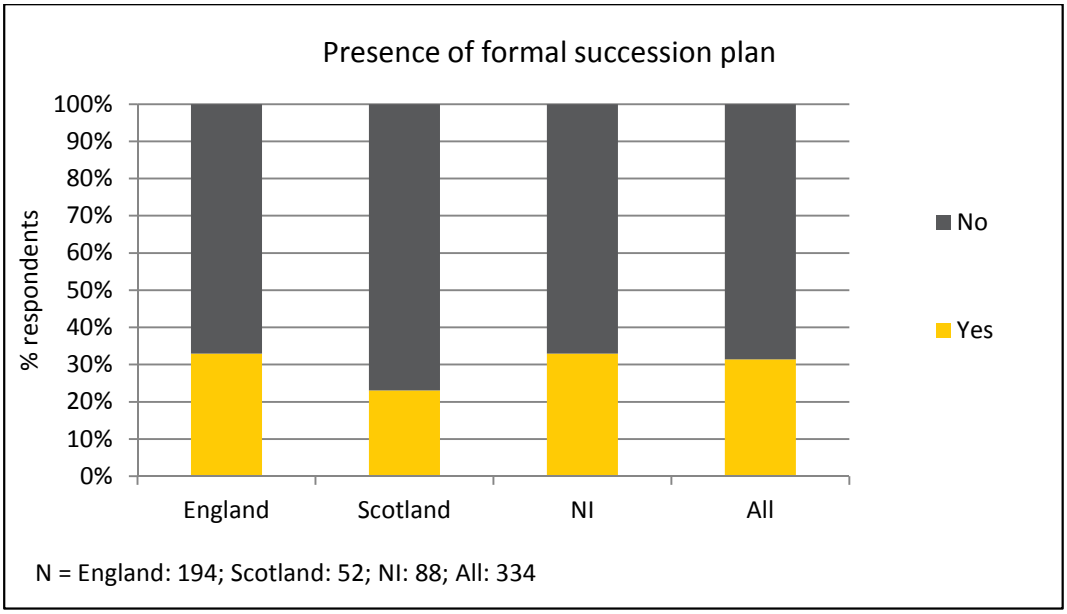


Figure 5.10 Presence/absence of formal succession plan (among those with a potential successor)

More encouragingly, 83.6% of respondents do have a will (see figure 5.11), although respondents in England are more likely than expected, and those in NI less likely, to have one ($\chi^2 = 33.607$, $p < .001$).

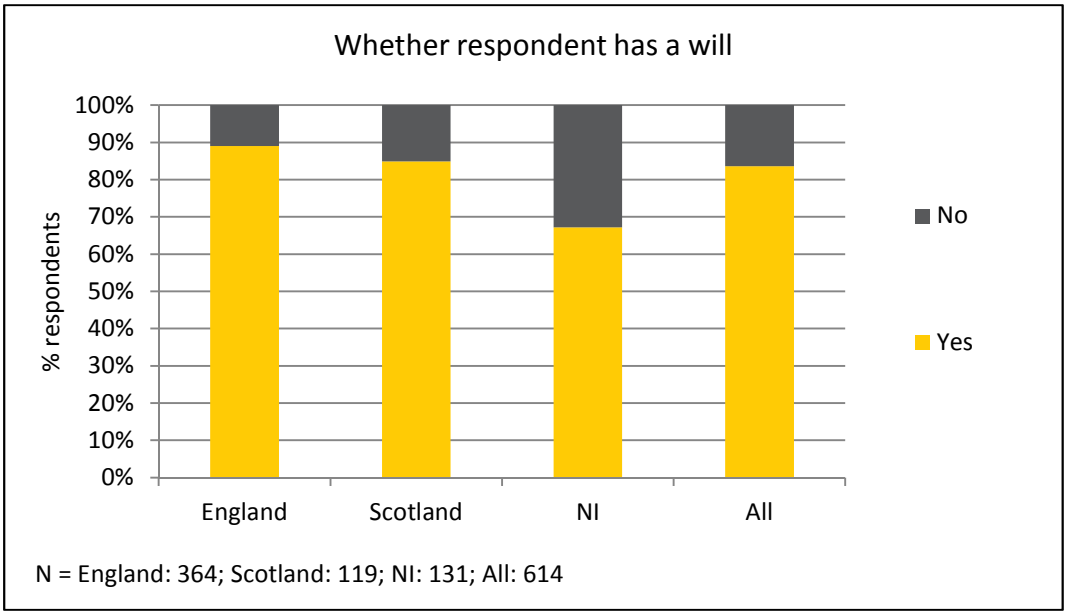


Figure 5.11 Presence/absence of personal will

Respondents who had identified a successor were significantly more likely to have a will (92.6% had one) than both those without a successor and those who felt it was too early to say (78.5% and 72.2% of whom respectively had one) ($\chi^2 = 36.286$, $p < .001$).

Very large (200+ha) farms were more likely than expected to have a will (93.1% had one compared to 83.9% of all farms) and small (20-49ha) farms less likely than expected (71.9% had a will) ($\chi^2 = 24.845$, $p < .001$). There was also a significant association between having a will and farm type, with arable (94.2%) and mixed (92.1%) farms more likely than expected,

and dairy (74.6%) and cattle/sheep farms (77.9%) less likely than expected, to have a will (χ^2 = 25.758, p < .001, 2 cells (16.7%) have expected count less than 5).

Clearly, formal succession planning is not currently seen as a necessity or expected task in the same way that forging a Will is (although there are a number of other reasons why farmers may find it difficult to address the issue of succession: see section 5.6). It is possible that some farmers might think of their Will as part of their succession plan, but it is important to stress that effective succession planning entails much more than creating a Will. Succession involves three interlinked processes: transfer of decision-making; a 'retirement' plan, and transfer of the ownership of business assets. Separating these elements out can help the process appear less daunting (since they do not all need to be done at the same time) whilst also countering any misconception that having a Will is the same as having a succession plan.

For some farmers, succession planning may not be seen as a priority, or is simply something they have not given much thought to. One respondent commented that it was only receiving this survey that prompted a discussion with her husband on the topic:

> *"I started doing it [the survey] then after a few questions swapped to answering what my husband said as I didn't really know what he thought until I read out the questions. So it was an interesting exercise and made us both think about a subject we tend to gloss over"* (England respondent)

The point at which a will is created could be a timely opportunity at which to encourage farmers to consider making formal succession plans. It must be noted though, that the presence of a will (or formal succession plan) does not necessarily guarantee a smooth transition between generations if it has not been created and executed effectively. One respondent noted that they did not fully complete the survey because of the issues they were experiencing related to their father's will:

> "*In normal circumstances we would willingly help with your survey. However we are nearly 3 years into probate and sorting my late father's will! This has been a very long and painful process - and will be for some time. Therefore I hope you understand I don't feel like I can help at the moment!!"* (England respondent)

65.9% of respondents have considered Agricultural Property Relief (APR) and/ Inheritance Tax (IHT) as part of their retirement and succession planning. See figure 5.12.

Farmers in England were particularly likely to have considered APR and IHT (72.4% had done so compared to 57.3% in Scotland and 55% in NI: χ^2 = 18.586, p < .001), as were arable (86.7%) and mixed (75.7%) farmers in contrast to dairy (53.1%) and cattle/sheep (54.2%) farmers (χ^2 = 50.065, p < .001). Larger farms were also more likely to have considered APR/IHT, with 85.5% of 200ha+ farmers having done so compared to 44.3% of <20ha farmers (χ^2 = 51.042, p < .001).

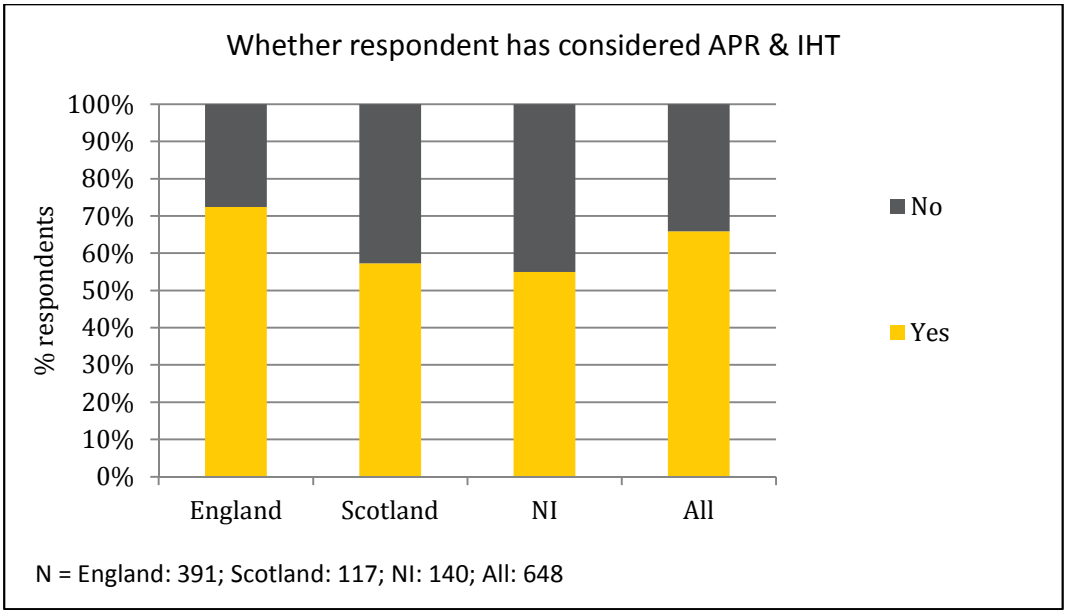


Figure 5.12 Consideration of APR & IHT

Of the respondents who had considered APR & IHT, 76.7% said that it was either 'very' or 'quite' an important factor in their planning. Only 5.4% said that it was not important at all. There were no significant differences between countries.

15 respondents in England and 1 respondent in NI (none in Scotland) specifically mentioned either APR, inheritance tax or 'tax efficient' trusts elsewhere in the survey (either in the 'additional comments' section or in response to a question about the future of the farm where there are multiple potential heirs, the full findings of which are discussed below). These comments were mostly around utilising the rules in order to pass the farm on to the next generation most economically (and to avoid it being broken up).

Several respondents would like to see inheritance tax abolished, believing it to be unjust and/or problematic for retirement and succession. For example:

> *"I would like to see inheritance tax abolished. The current situation with APR etc. over inflates land values and prevents farmers from retiring and letting younger more able farmers have access to the land. In order to accumulate wealth of any kind taxes must first be paid. To tax this wealth again upon death is very very unfair, injust and immoral. With the viable size of a farm enterprise relentlessly rising the high value of land if left between siblings will undoubtedly and unfortunately destroy many family farms over the next 20-30 years"* (England respondent)

> *"IHT and APR need to allow for entire agricultural holding, no matter what type of enterprise is being run on it, to be transferable tax fee. There should not be a need for a farmer to die farming to pass on a farm without IHT. Taxation rules must encourage the transfer of farms and businesses to the next generation while they are still young enough and enthusiastic. Incentives for farmers to retire from their businesses would help"* (England respondent)

> *"As I understand, one needs to die a working farmer to get full capital relief. To hand the farm over in its entirety, could make ourselves destitute in our old age. To lease*

the farm to son would leave income taxed as property income and would lose tax allowances on property maintenance and other expenditure" (England respondent)

5.6 Future of the farm

The survey included an open question about what provisions respondents have made for the farm in their will and what they would like to see happen to it. 472 out of the 688 respondents (307 in England, 64 in Scotland and 101 in NI) answered this question with a variety of, sometimes detailed, responses. These were then analysed to draw out common themes and particularly salient issues or comments.

Perhaps the most prominent theme was that many farmers are keen that their farm should be kept as one unit, rather than split between multiple children (specifically mentioned by 102 respondents: 21.6% of those answering the question). This theme was particularly prominent in NI where it was mentioned by 35 respondents (34.7% of those answering the question, compared to 55 (17.9%) in England and 11 (17.2%) in Scotland).

The desire to keep the farm as one unit was (where justified) usually based on a belief that the farm would not be viable if split into smaller parts, which may ultimately result in it being sold outside of the family and potentially lost to agricultural production. For instance:

> *"I will hand on my business to my son as one entity so as to ensure that it is kept together as I do not want a relatively profitable enterprise to be split up. This leads to an inevitable situation when a farm will no longer be viable and could in all probability lead to a sale"*. (England respondent)

> *"Ideally pass it on as a single unit - it is otherwise too small to farm and would be lost to agricultural production"* (Scotland respondent)

> *"Must be kept as one unit if it has any hope of providing an income for a family"* (NI respondent)

One respondent expressed this particularly succinctly as:

> *"To split our farm would make as much sense as leaving the children a horse jointly and cutting it in half!"* (England respondent)

In cases where the respondent has multiple children but wishes for the farm to be kept as a single unit, some intend for the farm to be managed as one but the income split between multiple heirs, whereas others intend to leave it to a single heir, sometimes providing for other children in other ways. 13.3% of respondents (13% in England, 7.8% in Scotland and 17.5% in NI) specifically said they would leave the farm to one successor but money and/or other assets to another):

> *"Farms should not be split into unviable units. Other children should be looked after out of other assets or property. If that is not possible then Plan B could be to pass the land on to the next generation with all reliefs available and then sell and split the proceeds. (Not desirable.)"* (England respondent)

A sense of wanting to be equitable to multiple children ran through many of the responses to this question, regardless of what plans the respondent had for the farm. 34 respondents (22

in England, 3 in Scotland and 9 in NI) specifically said that the farm would be split between family members (but still farmed by them). 51 respondents (39 in England, 9 in Scotland and 3 in NI) said that it would be sold and the proceeds split between family members. 39 (29 in England, 5 in Scotland and 5 in NI) said they were provisioning some sort of trust or shareholding/partnership arrangement for their heirs/successors.

On the other hand, some farmers believe that not dividing the farm/assets equally between children is not unjust, as it depends *"on their individual commitment to the business. You do not have to be equal to be fair"* (England respondent) or *"Whoever has put in the most work should get it"* (NI respondent). Two respondents in NI believed that only leaving it to one heir was the best way of avoiding family conflict: *"Best leave to one heir, then there are no arguments"* and *"usually if assets are split it causes friction between heirs".* In fact, farmers in NI appear to be more likely to leave the farm to a single heir without making provision for other children in their wills: 21 respondents in NI (21%of those answering this question) said this compared to just 16 (5.2%) in England and 2 (3.1%) in Scotland.

This question prompted some respondents to raise a number of issues and concerns around succession and inheritance, again highlighting the complexity of the matter. For some, this complexity can contribute to a lack of planning, as it feels too difficult to come to a sensible decision:

> *"No idea [about the best plan] yet – dreading the decision. Don't know what to do!!"* (England respondent)

Similarly, one respondent is 'hoping' that an alternative solution will present itself due to difficulties associated with not having a nuclear family (a situation that has become increasingly more common):

> *"It's only able to provide one family income and due to a second marriage and stepchildren the 'best plan' has not been determined - hopefully it will skip a generation!"* (England respondent)

Others are simply leaving the issue to the next generation:

> *"Let them fight it out"*. (England respondent)

> *"Divide up the asset value between heirs. If one wants to continue farming they can negotiate with other heirs, all knowing the value of their own inheritance"* (England respondent)

> *If one heir is really interested in continuing the business, then leave it to them. But it's not your decision anymore - I would prefer all the assets being left jointly and they sort out between them whether to sell and distribute proceeds, or one person buys the others out and runs the business.* (Scotland respondent)

> *"I'll be dead and with above reasoning, I'll not care!!"* (NI respondent)

Business partnerships between extended families can also prove difficult:

> *"Not sure - very difficult. Now equal partnership with brother - me 2 daughters, brother 1 son and 1 daughter. [My brother's] son - not sure whether he wants to*

farm or not - not ideal successor - may not have ability, if truthful. Family want to split assets equally - currently trying to find a solution to distribute assets and leave a viable business" (England respondent)

It is unsurprising, therefore, that family disputes relating to, or further complicating, inheritance and succession are not uncommon (this were only explicitly mentioned by respondents in England but it is likely to be an issue elsewhere too). For instance:

"I'm in dispute with my business partner who is my father. All about succession to the next generation. I have not been paid in 19 years, on a promise the partnership would be mine. He changed his mind after remarriage … He intends to bankrupt me and to date has spent £1,000,000 on legals. He served notice on me to quit living in the house for 29 years. Succession is a sore subject! ... We are 50:50 partners but he will not agree the dissolution terms as he finds it 'contentious' to his views". (England respondent)

"Due to a family rift between myself and parents I will not allow/actively discourage my son from taking over the running of the farm… Upon my parents' death I will have to pay their capital accounts out of the business, which will then have to be sold to fund this". (England respondent)

"Daughter cannot sell farmhouse because son will not sell adjoining farm buildings. Impasse!". (England respondent)

"There is currently a lot of information in the farming press about succession, but my wife and I are quite annoyed that they always highlight farming families that 'get on' and work together. There are very, very few stories, examples of feuding families and how these affect succession plans. All I seem to have done since taking over the daily management (that was a fight in itself) of the farm is increase my parents capital account and then been threatened with paying it back to their beneficiaries up their death. With that threat hanging over me and my family is it any wonder I don't want my son to farm". (England respondent)

As several respondents commented, effective communication and discussion is key:

"Farm break ups destroy families so discussion at all times is necessary". (England respondent)

"Children should be sat down and have a chat about what they think on how the farm should be left." (NI respondent)

However, for many farming families this is not easily achieved and encouragement, mediation and support will be needed to facilitate decisions that are satisfactory for those involved.

Even where there is only one heir, inheritance/succession is not necessarily straightforward, as practical issues such as the profitability of the farm and/or financing retirement can restrict the options open to some farmers. For instance:

"I have one heir, which we hope will take it over, but my pension fund is tied up in the farm. So, perhaps, I may have to sell up, which I don't really want". (England respondent)

> *"Our son will only be able to continue farming in this area if the current situation improves. Cattle prices are dreadful and the uncertainty over Brexit is completely killing the job. Sadly it is quite depressing times at the moment."* (Scotland respondent)

In contrast to those strongly wishing for the farm to stay in the family, some respondents stated that their children have no interest in farming and/or they are actively discouraging their children from entering the occupation, as they do not see it in a positive light:

> *"I told daughters not to be so daft as to follow me into farming so they could have a life"*. (England respondent)

> *"I have 2 sons who are doing very well for themselves outside of farming. My claim to fame is to educate them well enough not to go farming because it is a lot of stress and hard work".* (England respondent)

> *"None of my children are very interested in farming as they see only hard work by their father and a dreadful future"* (Scotland respondent)

As one respondent highlighted, farm profitability is a critical factor in succession planning:

> *"Succession is only a sign of how profitable a business is. Generally, if farm businesses aren't making money, less young people want to take over farms. There are lots of options for youngsters from farms, they are highly sought after and valued by other industries. There is lots of talk about succession, but without tackling the root causes it's all just hot air."* (Scotland respondent)

More positively, a few respondents were appreciative of their life and experiences as farmers, despite (in these cases) either not having a successor to pass the business on to or the business not being profitable or

> *"It will be broken up into lots [when I retire]. The houses will be sold with a bit of land. The bulk of the land will be sold to local farmers wishing to expand. All my work will come to nothing, but I have enjoyed every minute of it. And would do it all again"*. (England respondent)

> *"If I am lucky I hope my 3 sons will work the croft between them and keep the tradition of crofting alive. There is next to no monetary gain in working a croft. Mostly it runs at a loss. The best thing that comes from it is your passion for working the land rearing the lambs and ewes using the machinery to the best of your ability and some fresh home grown mutton for the freezer, and to grow some of your own vegetables."* (Scotland respondent)

As the quotes above suggest, many farmers feel a strong attachment to their land and (as the findings reported in section 4.2 also affirm), cherish the way of life that farming affords. Emotional ties to the farm can run deep: it is no surprise, therefore, that inheritance and succession planning can be such a difficult process for those involved.

> *"The decision of what to do with our farm lies with our sons. We are a very small farm on a very large area of big farms. So it will probably be sold for building. We*

have loved every moment on our little farm, hard work and hardships and heart breaks. But we don't believe our sons want such a small enterprise - it's up to them. We loved our farm. Still do". (England respondent)

There are, however, farmers who successfully negotiate the challenges of succession and inheritance planning. One respondent explained how he was making a decision to sell the farm for practical reasons:

"Farm to be sold because 1. Post-Brexit farming will need to be in units of 3000 acres plus. 2. None of my children want to farm or be responsible for owning a farm. 3. Land prices are likely to drop sharply once subsidies cease post Brexit and plunge in a no-deal Brexit. 4. I have decided not to follow primogeniture (which is how I got the farm) and split the proceeds of the sale between my children to fund the purchase of houses for each of them and to fund my retirement on a more generous scale than my present plans allow. I shall retain the existing buildings and 40 acres for amenity value and property development. I will retain the house and farm cottages for the same reason and pass these to my children in due course." (Scotland respondent)

Another shared his experience of planning for succession to a non-family member:

"I feel very strongly that all farmers should make succession plans and gradually take a step back from the coalface before they grow too old to look after their farm properly. I have witnessed people struggle to carry on with the result that they bring suffering on themselves and their livestock. My vision is to gradually slip out while at the same time be available for any assistance I can give. At the moment my successor seems to be taking more responsibility, sometimes without realising. This is already taking some of the weight off me and I can have a little more time off the farm. Although he is no relation, his father has worked here on a casual basis for almost 30 years, he has been associated with this farm since he was a small child. It's already his second home." (NI respondent).

6. Discussion

Retirement and succession are complex and often emotive topics. Just as no two farms are the same, so no two farming families are the same in terms of family structure, familial relationships, farming history or individual personalities, attitudes and outlooks. Efforts to support farmers with issues relating to retirement, succession and inheritance must therefore be considered on a case-by-case basis within the specific context of that business, family and individual. Nevertheless, our survey shows that many UK farmers do face a number of common concerns and challenges – both practical and emotional – when it comes to reducing farming activities in later life and transferring the farm to the next generation (whether that is within or outside of the farming family). Our findings also show that there are certain characteristics that can lead to farms of (for example) a particular size or type being more likely to experience particular difficulties. In some areas, notable differences between responses in the three UK countries surveyed (see section 7.7) suggest that potential solutions to the issues may also need to be tailored or targeted differently across these regions. For example, older farmers in England might need particular encouragement and support to create a formal succession plan and to gradually transition decision-making to their successor, whereas farmers in Northern Ireland might especially benefit from an emphasis on planning retirement finance and housing. Here we discuss the implications of the survey results, primarily in relation to the UK sample as a whole. We then draw out some factors that may need particular consideration in relation to the specificities of farm size and/or type, as well as summarising the key differences observed between the three countries that were surveyed.

6.1 Deciding to retire

As noted in section 4.1, the concept of retirement can have a very different meaning for farmers than for those in other occupations. With less than a fifth (19%) of our survey respondents planning on fully retiring, the decision to 'retire' cannot be assumed and even those who do retire or semi-retire do so at a later age than the wider population: almost half (48%) plan to do so only after the age of 70.

There are a number of reasons for this reluctance to retire. There are practical issues to consider, including where to live and how to finance retirement (see 7.3 below), but this is only part of the equation. Despite significant changes to farming practices and farm business structures in recent decades, the well-known adage 'farming is not a job, it is a way of life' still holds true for many farmers. Indeed, three-quarters of our survey respondents selected 'way of life' as one of the two aspects of farming they would miss most on retirement. We know that the act of farming can be central to a farmer's identity and sense of self, so it is unsurprising that the prospect of ceasing some or all of the activities that contribute to this identity can be a daunting or unattractive one. Emotional ties to farms and farming can run deep and familial ties to land can stretch back for many decades or even centuries so, as our results show, identifying a successor who can take over the farm is incredibly important to many farmers. Where the farmer has not been able to identify a successor – and where full retirement may thus mean the letting or sale of land outside of the family – ceasing to farm, and all the material and emotional loss that entails, can appear to be an impossible option. For many tenant farmers, the situation is further complicated by the prospect of having to move on from the house and land where they may have lived for many years. The notion of 'dying with your boots on' thus persists within farming culture. Farmers will often cite taxation as a reason for this but strongly gendered ideas about how to be a farmer **(**Bryant and

Garnham, 2015) and concerns about perceptions of peers, as well as shifting family dynamics, all play a role. Any attempt to intervene to encourage farmers to think about and plan for retirement needs to take all this into account. As we have demonstrated, a large proportion do not want to retire and cease all farming activity. They want to maintain a level of involvement and often retain a very powerful attachment to the land they have often worked on all of their lives. That said, for succession to be successful, the older generation has to transition to a different stage of life, even if 'retirement' is not the best way of describing this new stage.

6.2 Talking about retirement

Our survey found that over a quarter of farmers (27%) have not discussed their retirement plans with anyone at all. Whilst for some this might be because they are young and retirement lies a seemingly long way off, for others the lack of conversation on this topic may be an indication of uncertainty and/or reluctance to address a difficult topic and is concerning given the complications associated with transferring responsibility for the farm on to younger generations. If some farmers do not feel able to discuss their future with anyone – be that friends, family or other contacts - they are unlikely to be receiving the practical or emotional support they need to be able to make confident, informed decisions about the future of themselves and their farm business. Failure to discuss retirement might also mean a failure to plan to adequately fund retirement, leading to a situation where farmers remain dependant on the farm as a source of income well into old age, further reinforcing a reluctance to retire and potentially creating problems for succession.

Perhaps of particular concern, more than half (57.3%) of those with children have not discussed their retirement plans with them. Even accounting for the fact that some of these children will be too young to have such conversations with[8], this represents a relatively large number of farmers who, for whatever reason, have not shared their retirement plans with those who traditional*ly* might be expected to take over the farm. Indeed, around a third of those what have identified a son or daughter as their successor have not discussed their plans with their children[9]. Perhaps these farmers feel that such conversations are not yet necessary, or that the details of their retirement (rather than succession and inheritance) are not the concern of their children. Or perhaps they simply find the topic too difficult to discuss and are putting it off for another day. Yet if the farm is to be passed to the next generation whilst the current farmer is still alive – and whilst the successor is young enough to have the energy and inclination to embrace and develop business opportunities – details such as when, how and to what extent the farmer will retire, whether or not they will draw an income from the farm, and where they will live in their (semi-)retirement are undoubtedly of interest to the incoming successor. Communication is of central importance but is often lacking. Of course, these are not easy decisions to make, and in many cases they are entwined with factors such as the relative prosperity of the business, ability of the farmer to find a retirement residence, considerations around APR and IHT, and the farmer's personal feelings about reducing their

[8] 16.5% of respondents with children had an eldest son under 18 and 15.8% had an eldest daughter under 18

[9] 36.2% of those who have identified a son as their successor, and 26.5% of those who have identified a daughter as their successor, have not discussed their retirement plans with their children.

farming activities and 'handing over the reins'. Personal relationships between farmers and successors (whether they are relatives or not) can also be complicated and in some cases external facilitation might be needed.

Even among those farmers who have discussed their retirement plans with someone, few have had conversations with farming, financial or legal professionals on the topic. Whilst discussions with such professionals may not be necessary in all cases, it is likely that there are a number of farmers who would benefit from advice and support, particularly in relation to retirement finance, housing and formal succession planning (see below).

6.3 Planning finance and housing in retirement

Reducing or ceasing farming activities in order to retire/semi-retire clearly has practical implications for the farmer's financial and housing situation. Most farmers do appear to have considered this to some extent, with 82.3% having made plans for their retirement finance. Many (42.5%) are planning to at least partially use income from their current farm and almost a third of farmers are relying on this for between a quarter and a half of their retirement income. It is to be expected that many farmers plan on using the income from the business they have looked after for many years to finance their retirement, but doing so makes it particularly important that successors (i.e. those who will be running the farm the current farmer will be drawing an income from) are involved in discussions about the future. The sizeable minority of farmers who have not yet made financial plans for their retirement (including 15.9% of those aged 60 or over) may need particular encouragement and assistance in planning their finances in order to enable and support their retirement.

Less than a quarter (22.3%) of famers in our survey definitely planned to move house on retirement, with more than half (52.7%) confident that they would not (the remainder were undecided). In an occupation where the business is often run from the farmer's residence (i.e. the main farmhouse) deciding where to live on retirement can be a complicated matter. Some farmers may have no desire to leave the place where they have lived for many years and which they may have been born and brought up in, but if a successor is to take over the farm they and their family also need somewhere to live and to run the business from. Even where the farmer is theoretically willing to move from the main farmhouse, perceptions around the implications of doing so for APR and IHT (under which properties must have been occupied for agricultural purposes immediately prior to transfer of ownership to qualify for tax relief) can pose a significant barrier to moving on – perhaps to a more manageable and economic residence more appropriate for retirement. NFU Mutual clearly have an important role here in advising farming families of the tax implications of different retirement options. We have previously (Winter and Lobley, 2016) recommended a relaxation in planning rules to allow the older generation to build a suitable retirement property on their land where this would help facilitate timely succession and retirement. Of course, this would also have implications for capital taxation.

6.4 Creating formal succession plans and wills

The survey has revealed the low incidence of formal succession plans across the sample, with under a third of respondents with a successor reporting that they have a formal succession plan. Respondents aged 65 and over with a successor are much more likely to have a succession plan. Although it can be argued it is never too late to do some sort of planning, the complexities of succession planning mean that plans should be developed at a much earlier

stage. The comments from some respondents suggest that they are daunted by the complexity of the issues and that it tends to be put off to another time. The evidence therefore suggests that creating a succession plan is not regarded as an essential aspect of business planning. Research on farm family businesses and other types of family business (e.g. File and Prince, 1996; Harris et al., 2012) suggests that succession planning is associated with business growth and development and that a failure to plan for succession is associated with business decline and failure. The lack of planning also suggests that many farmers have not considered the impact this has on their children in terms of stress and uncertainty.

There is much greater awareness of succession as an issue facing UK agriculture than there was 10-15 years ago but it is clear that there is still a very pronounced need to move beyond the awareness stage to actually encourage succession planning. This research has confirmed the very strong ties that farmers have to their land (and livestock) as well as the complex family and interpersonal situations that make succession planning a challenge. Therefore, in any initiative to help farming families discuss and plan for succession it must be recognised that whilst tax and financial planning are of vital importance, what some refer to as the 'soft' issues of self-identity, attachment to the land, interpersonal relationships, family dynamics and so on have to be addressed at an early stage (and revisited as necessary). These are actually the 'hard' issues to deal with, requiring an investment of time and highly developed people skills. NFU Mutual clearly has a role here but should consider if it has the right portfolio of skills and expertise to develop a full succession planning service or whether to consider a partnership approach with other service providers. The target should be that having a succession plan (for farmers with successors) is as commonplace as making a Will.

Many more farmers have made a Will and there is a strong association between making a will and having a successor. The operators of larger farms are more likely to have a Will in place, which may be a reflection of the capital value of land assets. Given that larger farms are more likely to have a successor it can be seen that farm size, identification of a successor and having a Will are all interconnected. Whilst there is less room for improvement in terms of the number of farmers making a Will, it is important to stress that Wills should be kept under review. Important family events such as births, deaths and marriages provide important markers in any family and are a good time to review succession plans and Wills.

6.5 Transitioning decision-making to a successor

An essential part of the succession planning process is the identification of a successor(s) and the progressive delegation of decision-making responsibility. Without a process of delegated decision making; a gradual transition that can take place over many years, successors can end up as little more than farm labourers and can be ill prepared for the role of business leader (which can sometimes be thrust upon them at very short notice following an unforeseen death). First however, it is important to identify a successor. This survey has confirmed that most farming successors are the offspring of the current farmers. At a time when considerable attention is being given to issues of equality and diversity across society, our results confirm a strongly gendered aspect to farming succession. The overwhelming majority (72.3%) of those respondents with a potential successor identified a son as the person most likely to succeed and only 17.7% identified a daughter. This is despite only a small difference in the proportions of respondents with sons and daughters (roughly equal proportions have either only sons or only daughters and just over half have both). The reasons for this are no doubt complex and culturally ingrained. Our observation on this is that as UK agriculture faces some of the most significant challenges for decades in the form of new trading arrangements,

radical policy reform and the impact of Covid-19, as well as climate change etc., it makes good business sense to draw on the widest pool of possible future business leaders.

When it comes to the delegation of decision making our results are not encouraging. Taking all respondents with successors into account, most farm business and management decisions are still made largely or solely by the incumbent farmer. This situation does improve somewhat with the increasing age of the successor but still, the majority of respondents report limited sharing or delegation of decision making. Successors need to be exposed to business decision making so that they gain the silks and knowledge to enable them eventually to make decisions on their own. Succession planning can help facilitate greater sharing and delegation of decision making by creating a succession timeline with indicative dates by which, subject to demonstration of sufficient ability, the successor takes on progressively more decision making duties.

6.6 Context-specific considerations

At several points in the analysis of the survey data it is clear that there are associations between succession and retirement planning and farm size and type. Our analysis cannot ascribe causation but it does seem clear that certain farming circumstances are associated with the need for specific types of support around succession and retirement planning.

Statistically significant associations in the survey data suggest that:

- Small farms (20-49ha) and cattle/sheep farms may need particular encouragement and/or support to discuss retirement plans with their children or, indeed, anyone at all. Where appropriate, they may also need particular encouragement to discuss their plans with a financial expert such as a banker or accountant. At the lower end of this farm size range the farms may be essentially retirement holdings (although that might be more likely in the case of very small farms). However, it is likely that many of these farms are not retirement holdings but rather that they are too small to provide sufficient income for a farmer and successor and consequently retirement is not discussed.

- Dairy and cattle/sheep farms may particularly benefit from support in both making plans to finance their retirement and creating a will, including considering the implications of APR and IHT for their plans. Around a quarter of respondents from these farm types (24% of dairy farmers and 21% of cattle/sheep farmers) had not made plans for retirement finance; a quarter had not created a will (25% of dairy farmers and 22% of cattle/sheep farmers had not done so), and almost half (47% of dairy farmers and 46% of cattle/sheep farmers) had not considered IHT & APR in their planning[10].

- Smaller farms may be more likely to require particular help with financial matters relating to retirement and succession. The smaller the farm (with the exception of

[10] Comparable figures for all farms are: 16% have not made plans for retirement finance; 16% do not have a will; and 34% have not considered IHT & APR.

very small farms <20ha), the less likely they were to have made plans for financing their retirement. Profitability – or lack thereof – is also a particular issue for smaller farms (but not necessarily the very smallest <20ha), with this being more likely to drive retirement/leaving farming than in the case of larger farms[11].

- Succession depends on identifying a suitable and willing individual to succeed the farm, but this is more difficult for some than others. Perhaps due to the profitability issue noted above, smaller farms appear to have more difficulties in identifying a successor than larger farms, with the likelihood of having done so increasing with farm size. The exception to this relationship is very small (<20ha) farms in Scotland and NI, who are more likely than small (20-49ha) farms, but still less likely than the larger farms to have identified a successor.

- Although a high proportion of respondents from all sizes and types of farm have already created a will, there is some evidence that smaller farms may require more encouragement and support than larger farms, both in creating a will and in considering APR & IHT in their planning. The smaller the farm, the less likely they were to have made a will (with the exception of <20ha farms) and to have considered APR & IHT.

Summary of differences between countries

Throughout the analysis we have drawn attention to differences associated with farm structural factors (as above) and also differences between the three UK countries in which the survey took place. Here we attempt to summarise the different profile of each country.

Country comparisons: England

The survey sample in England was characterised by larger farms (with over a half being 100ha or more, and over a quarter being 200ha or more, in size), employing more people and with more respondents saying farming was their 'principal occupation' compared to Scotland and NI. There was a higher proportion of arable and mixed farms in this sub-sample and a lower proportion of dairy and cattle/sheep farms. Respondents also (in general) had a less negative perception of their business' economic position. They were of an older average age (particularly compared to NI) with more respondents already over the conventional retirement age of 65.

Possibly due to the larger average farm size in this sub-sample, farmers here were more likely to be planning on drawing an income from their current farm in retirement, but also more likely to be planning to finance their retirement through contract farming, the sale of land, letting property or other investments. Older farmers (65 years or over) were less likely to have a formal succession plan compared to the same age group in other countries. Respondents in

[11] 20-49ha farms were also less likely to describe their economic position as good (13.3% did so) and more likely to describe it as poor (32.8% did so), particularly compared to farms 200ha+ in size (31% of whom described it as good and 10.3% as poor) ($\chi^2 = 42.226$, $p < .001$, 7 cells (28%) have expected count less than 5).

England were, however, more likely both to have a will and to have considered APR/IHT in their planning.

Country comparisons: Scotland

In Scotland, the sample was characterised by a relatively high proportion of both very small (<20ha) farms and cattle/sheep farms. Very small farms made up almost a third of the sub-sample and over half of the sub-sample were cattle/sheep farms. This is unsurprising given the prevalence of traditional small-scale crofting in Scotland. Farms in the Scotland sub-sample also tended to be either wholly/mostly owned or wholly rented, rather than consisting of a mixture of tenure arrangements. A smaller proportion of respondents relied on farming as their principal occupation and fewer were in partnership with their children compared to the other countries. Both of these characteristics are likely to be linked to the larger proportion of very small farms in the Scotland survey.

Respondents here were more likely to feel that they wanted to retire/leave farming because they were 'getting too old' and to be most pleased about the prospect of giving up paperwork. Possibly related to the number of very small farms in this sub-sample, a smaller proportion of farmers were planning on drawing an income from their current farm, particularly from contract-farming, to finance their retirement

Country comparisons: Northern Ireland

The survey sample in Northern Ireland might be described as being characterised by small-scale, family farming. There were a relatively high proportion of small and medium-sized farms, with just over a third of the sub-sample being between 20 and 49ha in size, and almost a third being between 50 and 99ha in size. Cattle/sheep farms made up over half of respondents and dairy farming was more prominent than in the other countries, making up nearly a quarter of the sample. Only 2 farms (1.3%) described their farm as arable. Farms in this sub-sample also tended to be predominantly owner-occupied, with four-fifths being either wholly or mostly owned. Respondents were younger on average compared to the other two countries, with fewer over the conventional retirement age of 65. There were fewer new entrants to farming here (6% compared to 14% in England and 18% in Scotland) and the vast majority (91%) of respondents were not the first generation in their family to farm their land. They were also more likely to be in partnership with one or more of their children, with over a quarter stating this was the case.

On retirement, farmers in Northern Ireland appear less likely to plan on moving residence than in the other two countries, with almost three-quarters planning to stay where they are. Those that do plan on moving are also more likely to stay on the farm, with no respondent saying they plan on moving further than 25 miles away. Respondents here are also less likely to have made plans for financing their retirement, with over a quarter not having done so. Sources of retirement income appear slightly less diverse than in England and Scotland, with fewer drawing on income from the sale of land, letting of property, and other investments. Similarly to in England, many (67-69%) appear to rely heavily on a pension (either private and/or state), and a significant minority (39%) on income from their current farm, to finance their retirement. The survey also found that farmers in NI were more likely to expect to 'continue the same jobs but less intensely' in retirement. Together, these findings suggest that these farmers' futures will continue to be particularly closely tied to that of their farms; probably more so than in England or Scotland. There is also some evidence from the qualitative questions in the survey to suggest that a higher proportion of respondents are

keen for the farm to be kept as one unit upon their death and will not necessarily be making any provision for non-succeeding heirs within their wills (though this has not been statistically verified).

Lastly, and of particular interest, respondents in Northern Ireland were both more likely to have identified a potential successor, and less likely to have a successor who was already over the age of 50, than in the other two countries. This is perhaps unsurprising given that respondents in NI were themselves younger than in Scotland and England. Nevertheless, the reasons for this younger age profile (of both farmers and successors) are unclear. It could potentially be indicative of a stronger persistence of 'traditional' family farming cultures and values within the farming community here, and/or of farmers being more willing to relinquish control of their farms to their successors at a younger age than in the other two countries. Further research would be needed to confirm or refute these speculations however, and to examine the driving forces behind the particularity.

7. Conclusions

The desire to pass the farm on, to keep it in the family, is a strong characteristic of an agricultural sector based around large numbers of family farms. Attachment to the land, livestock and the identity of being a farmer is also very strong. The tension between these two powerful characteristics means that farmers often find it hard to contemplate a future where they are 'retired' and where someone else (most likely a son) is running the farm. Of course, there are a number of other factors to consider including finance for retirement, access to suitable housing and a strong desire by many that retirement does not necessarily mean ceasing all farming activity. Retirement is often conceived as doing many of the same activities but at a lower intensity, whilst also offloading some of the less favoured aspects of the job. The point is that succession and retirement is never just a technical exercise in arranging one's legal and financial affairs. It is inherently bound up with human relationships, human psychology and, quite often, fears about the future. US succession scholar John Baker often quotes Aristotle when he says "*The art of ship building is not in the wood. If it were we would have ships by nature".* Applying this to family farming means that succession and retirement do not just happen. These are processes that take time to think about, talk about and plan. A failure to do this can risk the business and ultimately family relationships.

The succession challenge facing UK agriculture is not one of low rates of succession. With the exception of some sub-groups succession rates are quite high. There is a challenge in terms of addressing the gender balance of successors, and preparing those successors for success so that they have the skills, knowledge, experience and attributes of business leaders. Some of this can be gained through formal education, adopting of lifelong learning and experience gained on other farms and in other sectors, but successors also need to gain decision making experience in the business they hopefully one day will be leading. The other challenge is to get succession planning adopted as a normal part of farm business planning. Of course, that is easier said than done. Banks could help by requiring a succession plan alongside a business plan when making loans. Examples of worst and best practice will also help influence some farmers. Demonstrating what can go wrong for the business and the family if there is a failure to communicate and plan can provide a powerful motivator, as can examples of successful succession planning. Getting farmers and successors to share their succession stories with other farmers is always helpful.

Succession and retirement requires a team effort. Family members need to be involved in discussions and the family will require the support of a multidisciplinary team of lawyers, accountants and financial advisors, and in some cases a succession facilitator. The precise requirements will vary for every family but the key challenge is to normalise succession and retirement planning. There is lots of scope to intervene to help and support farming families through this process.

Finally, although not part of this research, perhaps now is the time to open up a discussion about vocabulary and terminology. 'Retirement' just doesn't work for many farmers as the connotation of ceasing work on a certain date is not what they want. Equally 'succession' has become somewhat tainted. In business studies succession is about the transfer of managerial control whereas in farming it tends to denote transfer of ownership as well as management. We might find we are better able to progress the transition of business leadership and, ultimately, ownership and the transition of the older generation into a different stage of their life if we can find a shared vocabulary to talk about these issues that are of such central importance to the continuation of family farming.

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