

Succession Planning in Haldimand County: A Review of Succession Plans & Available Resources

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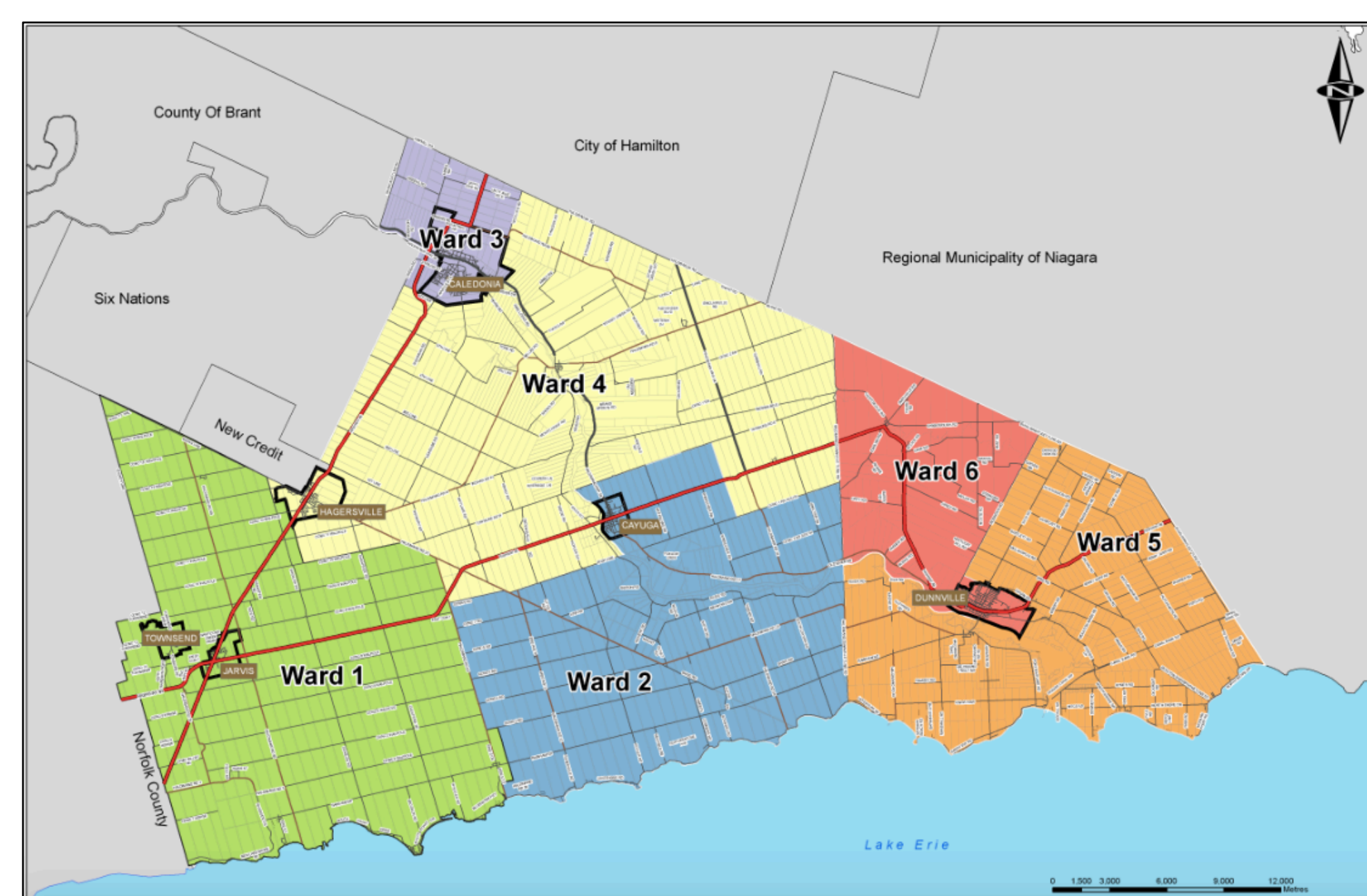
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Introduction

Succession planning, defined as the process of transferring control and ownership of a business prior to retirement, is becoming a more prominent issue for local economic developers due to the aging population and workforce. This is especially true in rural farming-dependent communities where the average age of farmers continues to increase, while fewer youth are entering the profession. Succession planning is one tool that encourages farmers to plan for retirement and identify successors, which could increase the number of younger farmers entering the profession and maintain agricultural lands for farming. However, recent research suggests that only 8.5 percent of farmers have developed succession plans in Ontario.

The purpose of this research is to explore whether farmers in Haldimand County are developing succession plans and what resources are available to assist them. More specifically, this research is focused on answering the following three questions: (1) Are farmers in Haldimand County currently planning for succession and if so, to what degree? (2) What are the key challenges that farmers experience during the succession planning process? and (3) What resources are available to help farmers with the succession planning process? To answer these questions seven semi-structured key informant interviews were conducted along with a survey that was completed by 33 farmers. Key informants included farmers and individuals associated with farm organizations in Haldimand County as well as professionals who work with succession planning as part of their careers.



Map of Haldimand County (Source Haldimand County, 2017)

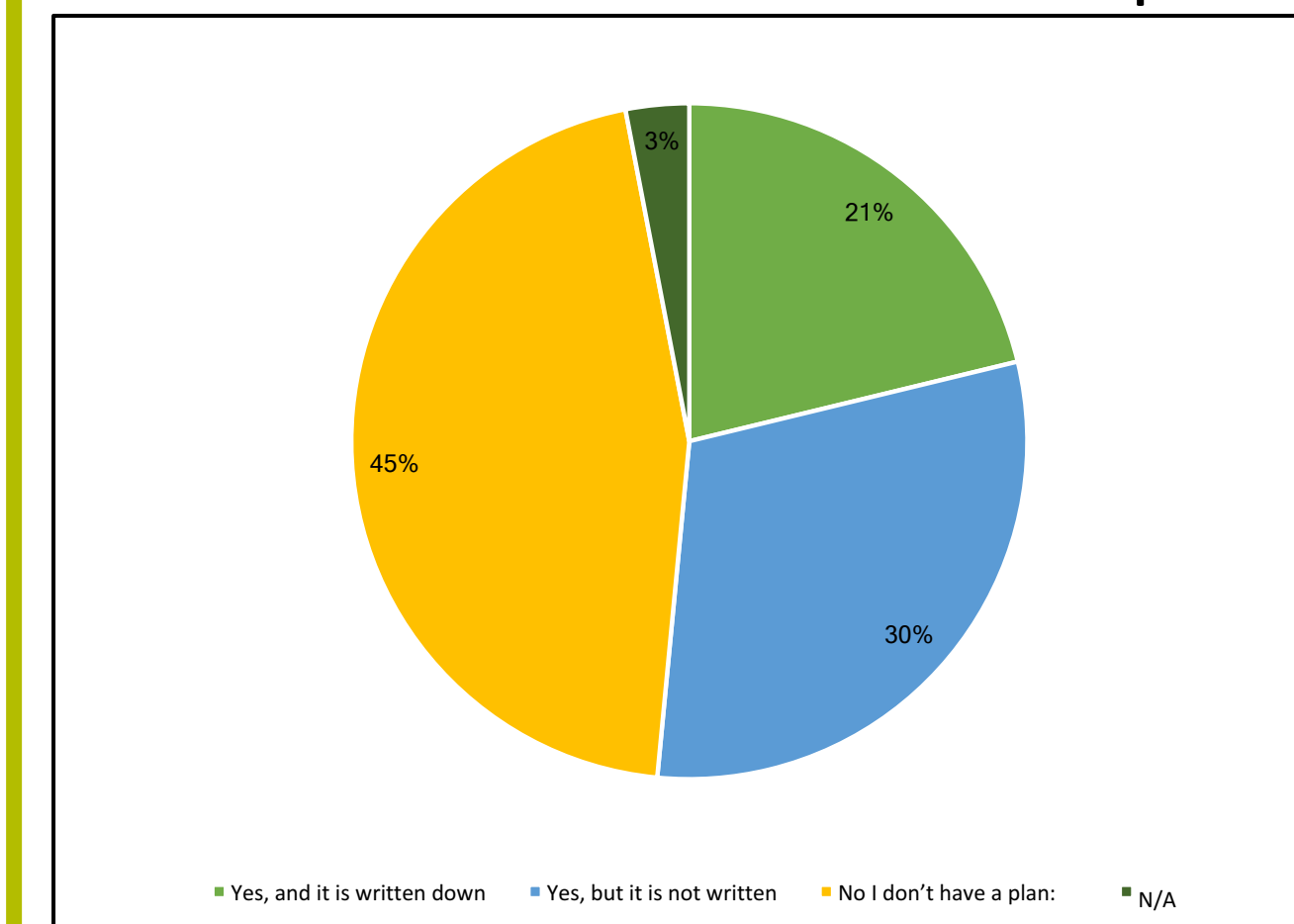
Local Context

Haldimand County is a rural municipality located in southwestern Ontario's Greater Golden Horseshoe, along the shores of Lake Erie. This location provides a competitive advantage for the municipality in terms of proximity to major markets in Southwestern Ontario and the United States (Haldimand County, 2017). Haldimand County includes the towns of Cayuga, Caledonia, Dunnville, and Hagersville. It has a single tier governance structure represented by six ward councilors and a mayor. The municipality has a population of approximately 46,000 people and over the last decade, the population in Haldimand County has grown by 7 percent. Agriculture also plays a significant role in the county's economy. For example, in 2011 there were 858 farms that grew 175,525 acres of crop land and generated approximately \$265,383,000 in gross farm sales.

Findings

Awareness of Succession Planning

When asked about 'succession planning' three-quarters of survey respondents (76%) were familiar with the term, while one-quarter (24%) were not.



Although a large portion of the survey respondents were familiar with the term, only 21 percent of respondents indicated that they had a succession plan that was recorded. Another 30 percent had plans that were not written down, while 45 percent of respondents had not developed a succession plan.

Succession Planning Challenges

The most challenging aspects of succession planning identified by farmers in the survey were speaking with family (36%), finding information about the process (21%) and choosing a successor (6%). With regards to communicating with family, during the interviews, key informants identified intergenerational communication as a barrier. Although 64 percent of respondents indicated they found all the resources necessary to develop their succession plan, a number of respondents cited additional information that would be useful. This includes information on capital gains tax, general information from their accountant and information on available succession planning programs. Key informant interviews also identified stress and loss of control associated with succession planning as a personal barrier. Finally, estate distribution among multiple heirs was identified as a barrier by key informants.

Least Challenging Aspects of Succession Planning

The least challenging aspect of succession planning was choosing a successor (36%) this was followed by finding business advice, finding financial advice, finding information about the process, and discussing the plan. However, this differed from the interviews where farmers indicated that the easiest part was discussing their plans with advisors.

Identifying a Successor

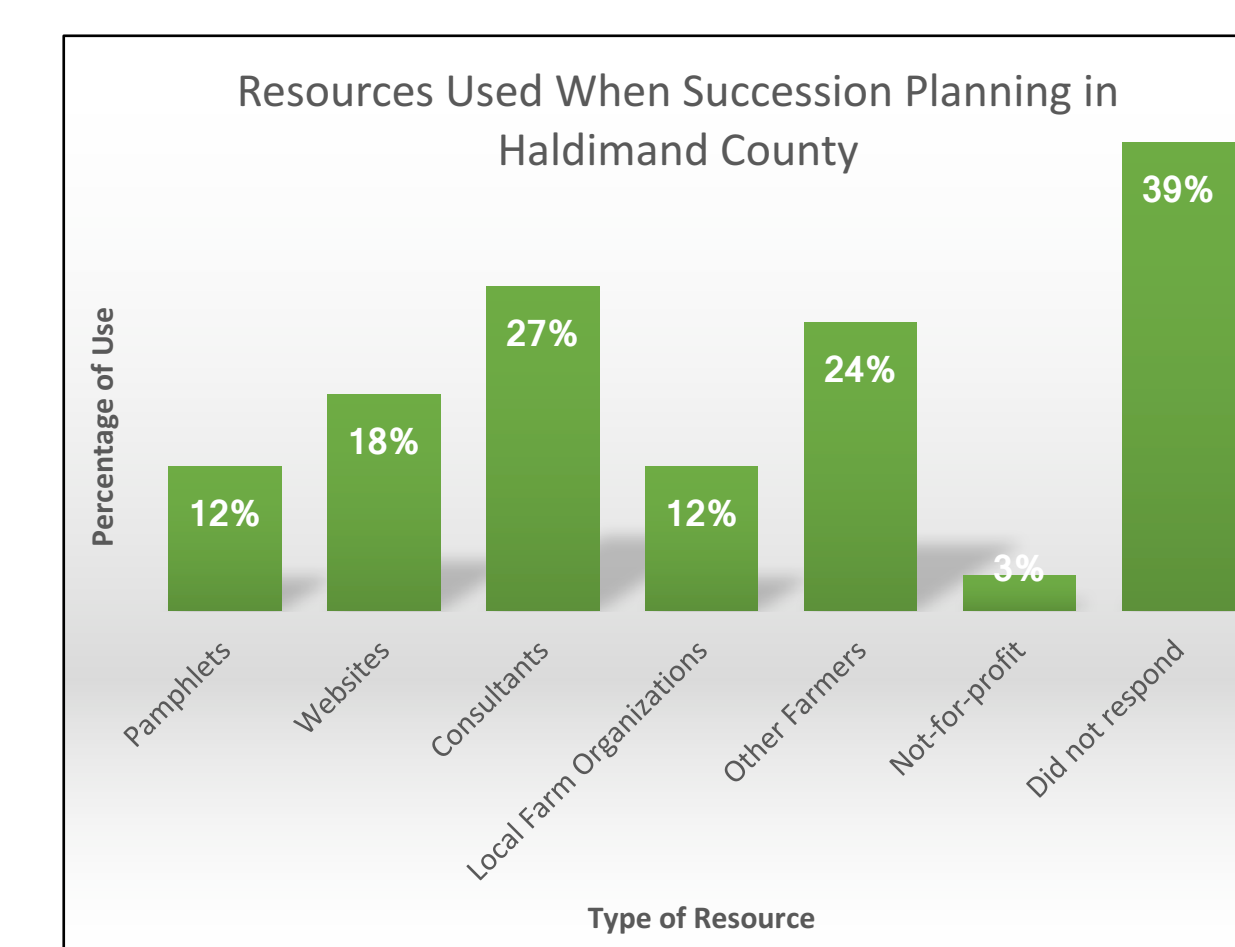
When asked who is most likely to succeed you when you retire, the majority of farmers surveyed (60%) answered their children. Other succession arrangements included: another farmer taking over the farm (21%); an unspecified individual taking over the farm (9%); their spouse would take over the farm (3%) and another non-farmer such as a developer taking over the land (3%).

Discussing Succession Plans

A large portion of farmers who were surveyed indicated that they discussed their succession plans with a third party (69%) while developing them. The most common individuals consulted include an accountant (45%) and a spouse (33%). Farmers also stated during key informant interviews that they met with local accountants and farm consultants.

Accessing Resources

Farmers who responded to the survey accessed or collected their information on succession planning from a variety of sources including: through other farmers (21%), through local farm organizations (21%), and through the internet (18%). Key informants also suggested that farmers collect their information generally from local farm organization meetings and the internet.



Succession Planning (Source: Farm Futures 2017)

Recommendations

The information collected from both survey respondents and key informants offer a number of recommendations for trying to increase participation in succession planning:

- 1) Provide more information on the importance of succession planning-** Information on succession planning needs to be provided to farmers through a variety of methods in order to increase their awareness of succession planning;
- 2) Reach out to young farmers-** Young farmers should be taught succession planning when developing their business plans as it should be approached as an aspect of business management;
- 3) Provide funding for consultants-** Many farmers are aware of succession planning but unsure of how to formalize their plans, therefore, assistance for consulting services should be provided to help with this process
- 4) Encourage joint ventures-** Many older farmers are hesitant to retire, therefore at the local level Haldimand County's Economic Development and Tourism Division should develop a joint venture program which would help facilitate this process, as it would allow older farmers who have no successors to identify potential farmers interested in taking over their estate and permit younger farmers to gain valuable skills.

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