

# Farmer perceptions of risk in farm succession

**TEAGASC** research has found that economic and financial concerns are a significant barrier for older farmers in terms of succession and farm transfer planning.

The process of land transfer to the next generation can be a cause of concern for farmers and successors alike. Land transfer can be considered to have three stages, with succession, inheritance and retirement each representing key phases in passing on the land to the next generation. Succession refers to the handing over of managerial control from the operator to a successor, and inheritance denotes the legal transfer of assets from the operator to a successor, while retirement indicates the exit of the operator from farming. Many farmers in Ireland rarely enter full retirement, but often enter a stage of semi-retirement in which they remain involved in the day-to-day running of the farm.

Current Government initiatives to promote young farmer entry include a 25 % top-up on the Basic Farm Payment for farmers aged 40 and under, and reliefs on Capital Acquisitions Tax, Capital Gains Tax, and Stamp Duty. Despite these incentives, 30 % of farmers in Ireland are aged 65 years and over (CSO, 2018), indicating that land mobility in Ireland remains low.

# Teagasc research

In 2018 Teagasc conducted research focused on farmer decision making with regard to farm transfer. This involved interviews with 24 farmers in counties Cork and Mayo. A total of 8 % of farmers in Cork were aged under 35, while a low percentage were 65 and over (20 %). By contrast, Mayo had the lowest percentage under 35 (4 %) and the highest percentage of farm operators aged 65 and over (33 %) (Figures 1 and 2). In addition to demographic differences, farm systems also differ, with dairy being a prominent system in Cork, while Mayo has a high number of beef (cattle rearing and cattle other) farms. These farm systems differ significantly with regard to income: average family farm income for dairying stands at €66,788, while cattle-rearing systems accrue €12,568

on average (three-year average for period 2015-2017 using Teagasc National Farm Survey data). All dairy farmers interviewed were full-time farming, while all but two of the beef farmers interviewed either worked off farm or had retired from off-farm employment. The main issues raised by farmers interviewed for this research are summarised below.

#### Capital taxation

Farmers who were interviewed had varying opinions with regard to capital taxation. Generally, opinions on capital taxation differed by farm system. Those involved in beef farming were concerned about the negative effect that capital tax would have on both themselves and their successor.

On the contrary, dairy farmers felt that planning in advance of farm transfer would avoid any negative effects stemming from capital tax. Dairy farmers cited regular contact with a professional (accountant or farm advisor) as a key element of their financial planning with regard to land transfer to the next generation. Beef farmers who were interviewed had less contact with professionals.

# Marital breakdown

One core concern raised by dairy farmers was risk of successor marital breakdown. A majority of dairy farmers interviewed highlighted that they were reluctant to transfer the farm to their successor because of the possibility that their successor would get divorced and the farm would have to be sold or split. In some cases farm successors did not have partners, but the issue remained to the forefront for the farmers regardless. Some interviewees noted the possibility of a pre-nuptial agreement as a solution to this problem; however, agreements of this nature generally have no legal standing in these instances.

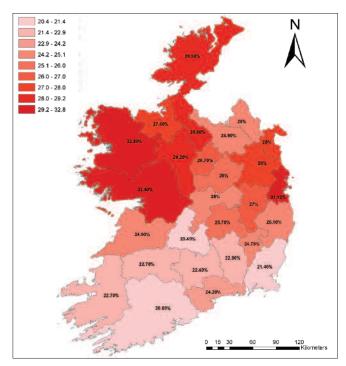


FIGURE 1: Farmers aged 65 and over by county. Source: CSO 2012 data.

#### Retirement income

Similar to taxation, farmers had differing views regarding retirement income. For dairy farmers, retirement income took the form of a private pension, which they contributed to over time from the income they made from farming. However, beef farmers faced the possibility of being dependant on a contributory State pension. For these farmers, the low income from farming in old age was required to provide for them financially later in life.

#### Cost of long-term care

The final issue raised by interviewees was that of long-term care costs. Here, both beef and dairy farmers had similar concerns. The unpredictability of long-term care needs, together with the high cost of nursing home care, contributed to farmer reluctance to engage in land transfer processes. At the centre of this was the possibility that a successor would come under serious financial pressure to pay for long-term care, resulting in the failure of the business and eventual sale of the farm. Several farmers noted the inability of State efforts such as the Fair Deal scheme to assist members of the farming community with long-term care costs.

#### Recommendations

A key element of the results presented here is the reluctance of farmers to engage in generational land transfer due to economic factors. Ensuring financial security for farmers intending to retire (or semi-retire) must be a central aspect of future generational renewal policy in order to encourage the timely entry of younger farmers to the sector, while also facilitating the gradual exit of outgoing farmers. This may take the form of dissemination of knowledge regarding current capital taxation reliefs. Additionally, a State pension top-up for those who do not have private pensions could provide a source of financial security for those considering handing the farm over to the next generation.

#### References

Central Statistics Office. (2018). Farm Structure Survey 2016. Accessed

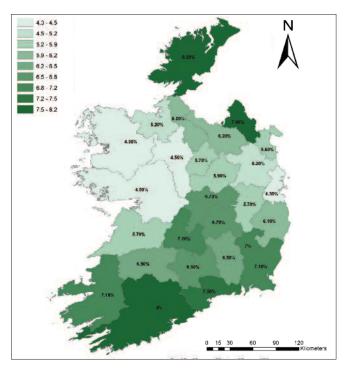


FIGURE 2: Farmers aged under 35 by county. Source: CSO 2012 data.

## April 17, 2019. Available from:

https://www.cso.ie/en/releasesandpublications/ep/p-fss/farmstructuresurvey2016/.

Central Statistics Office. (2012). 'Census of Agriculture 2010 – Final Results'. Government of Ireland: Cork.

Hennessy, T. and Moran, B. (2016). Teagasc National Farm Survey 2015. Rural Economy and Development Programme, Teagasc. Dillon, E., Moran, B. and Donnellan, T. (2017). Teagasc National Farm Survey 2016. Rural Economy and Development Programme, Teagasc. Dillon, E., Moran, B., Lennon, J. and Donnellan, T. (2018). Teagasc National Farm Survey 2017. Rural Economy and Development Programme, Teagasc.

#### **Authors**

### **Brian Leonard**

Walsh Fellow, Teagasc Rural Economy and Development Centre, Mellows Campus, Athenry, Co. Galway

#### Anne Kinsella

Senior Research Officer, Teagasc Agricultural Economics and Farm Surveys Department, Athenry, Co. Galway Correspondence: anne.kinsella@teagasc.ie

## Maura Farrell

Lecturer, Rural Studies Research Cluster, Discipline of Geography, NUI Galway

#### Marie Mahon (not pictured)

Senior Lecturer, Department of Geography, NUIG.





