Succession planning for the family farmer

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Statistics indicate that only 30% of family owned businesses succeed successfully from the first to the second generation and less than 16% survives the third generation.

A substantial amount of FABASA members are family farmers. André Diederichs interviewed Koos Nel, Head: Agri market of Old Mutual, to learn more about their approach to assist family farmers to create sound succession plans.

Questions	Answers
Describe the importance of succession planning for the farmer.	Succession is the transfer of management and ownership from the existing to the incoming generation. Proper succession planning ensures the sustainability of the business. If it is not done properly then the business, and therefore the family, will suffer the consequences. It is a vital process and must be seen as an integral part of the long term planning of the business. After all, if you fail to plan then you plan to fail.
List two important steps a farmer should take to make sure that all his affairs are in order for future generations.	1. Make sure you identify successor/s early on and prepare them properly for their future role 2. There are vital financial considerations, such as: a. A sound estate plan to ensure taxes is limited to the bear minimum. b. Make sure your will (testament) is updated and in line with your succession plan. If you have family trusts you must also ensure it is in line with your succession plan. c. Retirement planning. Determine a date for retirement and plan your financial income for retirement in advance. Successors must know when they will take over responsibility and if they will have any financial responsibilities for the existing owner after retirement

Questions	Answers
Give some practical advice as to how farmers can motivate their family members and children to get involved in the process.	The way your children will relate to the family farm will depend on what they hear and see the existing generation do. If the existing generation is in the habit of complaining about the challenges to run the family farm their potential successors might flee the moment they can to seek other, less challenging, opportunities. GUARD OVER YOUR WORDS. Instil a love for the farm in your children (successor/s) and ensure that they understand that it is a privilege to inherit and manage the family farm. Instil stewardship principles in them. Expose them from a young age to the activities on the farm to ensure they understand, and is/are not afraid, to take on the responsibilities. Be totally transparent to ensure the potential successor/s knows there are no "dark or hidden" secrets
How important is education and knowledge sharing during this process?	VERY IMPORTANT. Farming became very technical and intellectual capital is the concept of value in today's farming environment. New and better technologies replace existing technologies and we are confronted with life-long learning just to keep up with changes. Apart from technical skills and insights, it is also important to teach them management skills and insights. YOU CAN NEVER OVER-EDUCATE THEM.
Name at least three things a farmer should consider to successfully develop a succession strategy for his farm.	Farmers must take note that, what you do today, will determine the future. To not care about today is the pain that the incoming generation we will bear in the future. Succession planning is an act of stewardship, to do the right things today, to ensure a better tomorrow for future generations. Three important steps: 1. Ensure that the existing and incoming generations share the same VISION about the future. They must reach consensus about the future of the family farm 2. Instil proper business & moral values in successors that will guide their future decision making. Values, which are non-negotiable, such as trust, integrity and respect for people and the environment/family farm 3. Proper governance structures to ensure the business is managed with clear guidelines

Questions	Answers
Discuss the role that financial planning plays in formulating a sustainable succession strategy	Less than 16% of family businesses survive the 3rd generation, mainly because of the lack of succession planning. Succession planning should be part of a comprehensible financial plan, which includes retirement and estate planning. A member can't hand over to the next generations if sufficient retirement provision has not been made because he/she will still be dependent on income from the farm. It is also important to understand what quantum of capital will be required in the estate to cover the estate duty and capital gains tax liability, executor fees, bequeaths and to ensure the equitable distribution of assets without compromising the continuation of the family business. The knowledge and advice of an accredited financial adviser is critical in this process. A sound estate plan will consider the family dynamics and objectives, analyse the financial status and provide recommendations. A financial adviser is obliged to provide sound advice and to review your plan regularly to ensure that the implementation of the plan stays on track. Not having a succession strategy for the business and personal financial plan in place could threaten the survival of the family business and your legacy for the family. Make use of professional assistance.

"Families working together is not a new idea. After all, families have run farms and small enterprises together since the dawn of time— this is how arguing was invented!!"

Marion McCollom Hampton

Tebogo Morare

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Broad Based Black Economic Empowerment

FABASA Service Provider , Empower Logic, elaborates on the element of OWNERSHIP within the Revised Codes of Good Practice

The Urban Legend of Ownership

The element of Ownership within the Revised Codes of Good Practice forms one of three Priority Elements. It is one of the most misunderstood of all the elements.

The Urban Legend of Ownership has unfortunately emerged as "In order to gain the full 25 points allocated within Ownership Equity on a generic scorecard; in excess of 50% shareholding must be given to 'Black' individuals. The reality is there are various criterions within the Ownership element.

The Ownership element was introduced to meaningfully increase the number of 'Black' people who own and control enterprises. The core objective of the element is to facilitate Ownership of enterprises and communities, workers, co-operatives and individuals.

The criterion for Ownership is broken down into the following sub-elements:

Voting Rights – This ensures that Ownership is legitimate, that those qualifying owners are meaningfully integrated within a company. The focus is meaningful participation in the running and decision making process of a company.

Economic Interest – Owning a business comes with its benefits, the core one being financial. This criterion concentrates on distribution of dividends, ensuring they are fairly distributed amongst shareholders.

Qualifying as beneficiaries in this category are:	
Black Designated Groups	***Black*** **unemployed people not attending and with no requirement by law to attend an educational institution.**
	Qualifying *Black* people identified as Youth as per the National Youth Commission Act of 1996
	Black **people who are 'People with Disabilities'.**
	Black **people living in rural areas and/or under-developed areas.**
	Black **military veterans as per Military Veterans Act 18 of 2011**
Black people participating in:	**Employee Share Ownership Programmes.**
	Broad-Based Ownership Schemes.
	Co-operatives
New Entrants	**This is characterised as 'Black' people holding rights of ownership in the measured entity and who before holding equity instrument in that measured entity had not held equity instrument in excess of R50 million as stipulated in the 2013 Revised Codes of Good Practice.**

Realisation Points – These are identified as Net Value which equates to the percentage of equity held by a Black participant that is debt-free.

Methods of Measuring Ownership

There are three separate measurement methods with which Ownership is measured using the following principles:

The Flow-through Principle	The primary principle of measuring Ownership. The fundamental notion is based on the theory that if one owns 50% of a holding company of which that company owns 50% of the subsidiary, the shareholder essentially own 25% of the subsidiary.
The Modified Flow-through Principle	This principle only applies to voting rights and economic interests in an ownership scorecard. Where in the chain of Ownership black people have a flow through level of participation of at least 51% and then only once in that entire ownership structure of the measured entity such black participants can be treated as if it were 100% black.
The Exclusion Principle	This principle is applied to any portion of Ownership held by Organs of the State and Public Entities relating to the calculation of economic interest or voting rights. This is therefore the priority calculation method before any other method is utilised. A generic score is then calculated on the balance of shares which are 'Black' owned.

Family Favourites

Leg of Lamb

By

Madeleine

Ingredients	**Preparation**
1,5 kg leg of lamb, preferably bone out 1/4 cup olive oil 1/2 cup lemon juice 4 -6 garlic cloves, crushed 1 teaspoon dried oregano 1 teaspoon nutmeg 2 teaspoons dried mint 1 teaspoon sugar 1/4 cup white vinegar	1 Using a pot, mix together oil, lemon juice, garlic, oregano and nutmeg. 2 Immerse leg of lamb into the mixture and cook on high until falling apart. 3 Just before removing meat from pot, mix together mint, sugar and vinegar in dish and microwave for 30 seconds until vinegar is hot enough to melt sugar. 4 Remove meat to serving platter and pull apart with forks until you have chunky shreds of meat. 5 Drizzle over mint vinegar and serve piping hot.

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