



# Farm Management Fact Sheet

## Third-Party Succession



This content is for informational purposes only. It is not a substitute for professional financial services or advice.

When the next generation is not interested in taking over the family farm, there may be a host of reasons – personal, financial, lifestyle, or other interests. Here are some factors to consider if the founding or current generation does not have the option to pass the farm on to family members.

### Succession Planning

Succession is the process of transferring the knowledge, skills, labour, management and control of ownership of an existing agribusiness from the founder or owner to the next generation. Whether the farm is being transferred to a family member or not, succession still occurs, and planning is important.

It can be difficult for everyone involved when you realize the farm will not be passed on to one of your children, but if the interest or ability is not there, it's better for everyone to explore options. One alternative is to disperse the assets and dissolve the business. You may choose to hold on to your accumulated equity and any gains from the sale of your assets, and distribute them among your heirs through a will. Make sure you have

enough to live comfortably and to meet your future needs, and remember to consider tax and financial planning. Contact a qualified financial planner and tax specialist to assess the best options to determine your tolerance to investment risk and to minimize your tax exposure.

Another alternative is to sell the farm or agribusiness to a third party. This may be an existing, established farmer wishing to diversify or expand, or a new entrant seeking a career in the agriculture and agrifoods industry.

### Third-Party Succession

It's important to be certain that no family members are interested in taking over the farm business. Relational and emotional aspects of the operation of a family farm or agribusiness are complex; a willing and able successor may be reluctant to speak up or come forward.

When passing the farm on to a non-family member, many of the same considerations apply. The process of developing a succession plan still needs to occur. The plan will not necessarily change, but it does bring a third party



# Third-Party Succession

to the table, which could intensify some of the feelings already experienced by all parties involved. Ongoing communication is important. The skills of a qualified professional with extensive experience in succession planning would be beneficial to help guide the process.



There may be an element of gifting a portion of the value of the farm or agribusiness to the successor – this is by no means a requirement for any succession plan. The question of what is fair and equitable arises when a farm or agribusiness is passed from one generation to the next. The question, and its answer, are more complicated when a third party is involved. If it's important to you that the farm or agribusiness carry on and your children are not willing or able to do so, what is that worth to you? How do you place a value, if any, on that aspect of succession?

Your gift may not be monetary. During the planning process, consider the process of transferring the knowledge, skills, labour, management, and control of ownership. Will this be a one-time transaction, or will it occur gradually over time? A professional with experience in farm transfers may be able to help all parties find a creative, fair and equitable way of turning a challenge into an opportunity.

The financial viability of the business following the transfer should also be considered. Can it be transferred at a value that reflects the long-term growth and development of the business? Does the current generation have enough equity in the business to live on

after the transfer is complete? Can the business generate enough capital to operate, service debt, and provide a reasonable return to the successor? You cannot give the farm away, and you may feel a degree of responsibility to preserve the wealth you have accumulated in the business. You and your successor have a responsibility to ensure the operation is viable now and for the future. Working with a qualified professional to complete a farm financial assessment will assess the viability of your succession plans.

## Making it Happen

It's important to avail of professional services to guide you through this process. Seek out qualified accountants, lawyers, financial advisors, and tax specialists to help with the technical aspects. A qualified professional specializing in farm succession should also be included. Their experience can help you and your successor find creative ways to deal with issues that arise.

The Agriculture and Lands Branch of the Department of Fisheries, Forestry and Agriculture offers resources to assist with farm management, including short courses, consultations, publications, and financial assistance for eligible applicants.

For more information, please contact the Agriculture Business Development Division Farm Management Specialist in your area.

**Eastern/Central East**  
Ann Marie Whelan  
709.729.6749  
AnnWhelan@gov.nl.ca

**Central West/  
Western/Labrador**  
Afton Madore  
709.637.2474  
aftonmadore@gov.nl.ca

