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Are you sale ready? Rural transactions and the importance of early legal housekeeping

In large-scale rural transactions, the focus is often on price, stock numbers, plant and equipment, water, settlement timing and continuity of operations. However, recent transaction experience has again reinforced a more practical point: a farming business may be commercially attractive and well operated, but still not be legally "sale ready".

For vendors, this can create delays, additional cost and negotiating pressure. For purchasers, it can create uncertainty about what is actually being acquired and whether all parts of the farming operation can continue after settlement.

What does "sale ready" mean?

In a rural context, being sale ready means more than having the records of title and financial information available. It means the legal arrangements underpinning the farming operation are current, complete and capable of transfer.

Common issues include:

- land being used as part of the farm, but not actually owned by the vendor;
- informal occupation of council land, Crown land, railway land, paper roads or road reserves;
- stock underpasses, races, pivots or accessways located on land where no licence or permit is in place;
- leases or licences that are unsigned, incomplete, expired or not assignable;
- change of control provisions in leases or key contracts;
- rights of first refusal or other pre-emptive rights that may restrict a sale or restructure;
- water takes, dairy shed supply, irrigation infrastructure and resource consents not aligning neatly with current use;
- easements or infrastructure rights that may affect future farm layout; and
- technology, grazing, sharemilking or service contracts that create ongoing obligations or unexpected liabilities.

These issues often arise because farming operations develop over time. Practical arrangements are put in place, parcels are grazed or irrigated, access is used, and relationships with councils or neighbours continue without anyone revisiting whether the paperwork still reflects reality.

That may not matter day to day. It matters greatly when a purchaser, financier and their advisers are undertaking due diligence.

Why it matters

For a purchaser, the key question is not simply "what land is on the title?" but "what does the business need to operate as it currently operates?"

If a pivot crosses land held under a non-assignable licence, the purchaser will need a new licence after settlement. If a stock underpass sits within road reserve without formal authority, use may not be guaranteed. If an operational contract has rolled over into a new fixed term, the purchaser may inherit a cost that was not factored into the price.

None of these issues necessarily prevents a transaction proceeding. However, each needs to be identified, assessed and dealt with — whether through a condition, warranty, indemnity, completion adjustment, retention, settlement deliverable, or post-settlement action plan.

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The vendor's perspective

For vendors, unresolved legal issues can reduce control of the sale process. A purchaser may seek to delay settlement, require additional protections, or use uncertainty to renegotiate risk. Matters that could have been tidied up before going to market can become live negotiation points once the transaction is underway.

A pre-sale legal health check can make a material difference. At a minimum, vendors should consider reviewing:

- titles, easements and statutory notations;
- all leases, licences and occupation arrangements;
- paper roads, road reserves and council or Crown land use;
- water and irrigation rights;
- resource consents and Farm Environment Plan obligations;
- key operational contracts;
- sharemilking, grazing and service arrangements;
- rights of first refusal or options; and
- whether all documents needed for due diligence are complete and readily available.

Practical takeaway

Rural transactions often involve more than a simple transfer of land. The value of the business may depend on a network of leases, licences, water rights, access arrangements, operational contracts and infrastructure rights.

For vendors, getting the paperwork in order before going to market can preserve value and reduce transaction friction. For purchasers, careful due diligence remains essential to ensure that the legal position matches the practical farming reality.

The message is simple: the earlier these issues are identified, the easier they are to manage.

Want to know more?

Anderson Lloyd's rural and agribusiness team advises on rural property transactions, farming business acquisitions, due diligence, water and access rights, leases, licences, consents and post-settlement structuring.