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Fairness in farm succession: protecting the farm and the family

Farm succession is rarely just a legal or financial exercise. For many families, the farm is both the principal business asset and the family's history, identity and home. That makes succession planning deeply personal — particularly where one child is working on the farm and others have built their lives elsewhere.

The challenge is familiar: how do parents treat children fairly without placing so much debt or financial pressure on the farming child that the business is set up to fail?

There is no single answer. However, families are increasingly looking beyond the traditional "one child takes the farm and the others receive what is left" approach. More structured arrangements — including equity partnerships, family governance charters and staged succession plans — can help preserve the farming business while recognising the interests of off-farm children.

Fair does not always mean equal

A common difficulty is the assumption that fairness requires each child to receive an equal share of the farm's value. In many cases, that is simply not practical. Farm businesses can be high value but cash constrained. Requiring the farming child to borrow heavily to "pay out" siblings may protect equality on paper, but damage the long-term viability of the farm.

A better starting point is to distinguish between equality and fairness. Fairness may involve recognising:

- the contribution of the farming child, including unpaid or underpaid labour;
- the need for the parents to retain financial security;
- the economic capacity of the farm;
- the expectations of off-farm children;
- the importance of maintaining family relationships; and
- whether non-farming assets, insurance, staged payments or off-farm investments can be used to balance outcomes over time.

The key is that the plan is deliberate, transparent and commercially realistic.

Equity partnerships and staged ownership

Equity partnerships can provide a useful pathway where parents want to transition ownership without losing control immediately or overloading the next generation with debt.

These arrangements may allow the farming child to acquire an interest progressively, often alongside continued family or trust ownership. They can also create a structure for future buy-ins, buy-outs, dividend policies, decision-making and exit rights.

However, equity arrangements need careful documentation. Families should be clear about who has control, how interests are valued, when ownership can change, how debt is serviced, and what happens if there is disagreement, death, relationship breakdown or a decision to sell.

Without that clarity, an equity partnership can simply move the family dispute into a more complicated structure.

The role of a family governance charter

A family governance charter can be particularly useful where the family wants to preserve both the farm and family cohesion.

The charter does not replace wills, trusts, company constitutions or shareholders' agreements. Instead, it records the family's agreed principles — the "rules of the road" — and provides a reference point for future decisions.

A good charter might address:

- the family's long-term vision for the farm;

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- what fairness means in that family;
- how active and passive family members will be treated;
- expectations around employment, remuneration and sweat equity;
- how information will be shared with off-farm children;
- how major decisions will be made;
- whether the farm is to be retained, grown or ultimately sold; and
- how disputes will be managed.

The value of the charter is often in the conversation required to create it. It brings difficult issues into the open before there is a crisis.

Looking after off-farm children

Off-farm children should not be an afterthought. If they are not involved in the farm, that does not mean they have no emotional or financial interest in the succession plan.

Options for recognising off-farm children may include:

- distributions from non-farming assets;
- insurance-funded provision;
- staged payments over time;
- minority or non-voting interests;
- separate investment structures;
- trusts with clear distribution policies; or
- agreed future sale or liquidity events.

The right answer will depend on the family's assets, debt, relationships and appetite for shared ownership.

Start before there is pressure

The worst time to design a succession plan is when a parent is unwell, a child is leaving the farm, debt needs refinancing, or a relationship has already broken down.

Early planning gives families more options. It allows time to build off-farm assets, manage debt, document arrangements properly and bring children into the conversation in a controlled way.

A successful plan should protect three things: the parents' security, the farm's viability, and the family relationships.

Practical takeaway

Farm succession is not about forcing equality at all costs. It is about creating a plan that is fair, understood and workable.

For many families, that will require a combination of legal structure, financial modelling and honest family governance. The earlier those discussions start, the more likely it is that both the farm and the family remain intact.

Want to know more?

Anderson Lloyd's Rural and Private Client teams advise farming families on succession planning, trusts, equity partnerships, governance charters, relationship property issues and intergenerational asset planning.