



Media Release

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Farmers explore new ways to keep business in the family

How to successfully pass the farm along to the next generation is one of the most pressing long-term issues faced by farmers, according to New Zealand's most in-depth business survey.

"Simply handing over the farm to a son or daughter and retiring from the business is becoming increasingly problematic for many farmers," says ANZ Managing Director, Commercial & Agri, Graham Turley.

"Today, like all New Zealanders, farmers are living longer so they want to ensure the farm is a sustainable business that generates an income long term."

ANZ today released the Agri Insights from the Privately-Owned Business Barometer, New Zealand's most comprehensive study of privately-owned businesses.

The survey provides critical insights into a key sector of the New Zealand economy. Now in its sixth year, it questioned 4870 business owners from different parts of the economy about the issues affecting them, and their views on the challenges ahead.

For the first time in its six years, the Barometer included a section dedicated to agribusiness. Around 750 farmers and agribusiness owners contributed to the survey during February – March.

Key points of the ANZ Privately-Owned Business Barometer 2012

- 60% of farms were purchased more than 20 years ago.
- 44% of farmers cited exchange rate movements as the main issue of concern for their business.
- 84% expect positive growth in the next 12 months. 91% expect positive growth in the next three years.
- 71% are looking to increase farm production. 24% are looking to acquire more farmland.
- 57% of farmers use an adviser – usually an accountant (83%).
- 64% of farmers prepare an annual budget.
- 40% have no plan for the future of the business. Only 10% have a formal plan in place.
- 91% consider their farm a family business. 71% want to sell the business to the next generation.
- 29% say government red tape is of concern.

ANZ New Zealand is the country's largest financial institution and one of the nation's largest companies. Its brands include ANZ Bank, National Bank, UDC Finance, OnePath, EFTPOS Bonus Bonds, and Direct Broking. Around one in two New Zealanders has a financial relationship with ANZ New Zealand.

The Barometer shows that issues of growth, planning, people and change were tightly interwoven in the agri sector. Farmers spoke of the challenges of managing immediate issues, such as weather, commodity prices and exchange rates, while also addressing long-term management and ownership issues.

“One of the main concerns was succession – how to keep the farm in family hands, but in a way that is fair and ensures the future viability of the business,” Mr Turley says.

Around 90% of farmers surveyed considered their farm a family business, and 71% want to sell the business to the next generation. Progressive involvement of the next generation of family is favoured by 53% of those surveyed, and 47% have family working for the business.

In some cases farmers didn’t want their children to feel obliged to take over the farm, and were having to balance their desire to keep the farm in the family while allowing their offspring to follow their own path.

“What we’re seeing is farmers exploring new models of succession that ensure the business stays strong and all involved members of the family, including themselves, derive a long-term benefit from it, and have a level of involvement they are comfortable with.”

Family farms that have made the transition to long-term sustainable business are generally high-performing businesses that are disciplined and willing to engage all stakeholders in discussions about the future.

“Farms that are in a good financial position often have fewer succession issues. Many of these owners recognise the need to involve advisers and managers in the business to inject new ideas, maximise performance and introduce new systems.”

Main concerns

| Agribusiness issues | Non-Agri business issues |
|--|--|
| <ol style="list-style-type: none"> 1. Exchange rate movement (44%) 2. Commodity price movement (43%) 3. Climatic variation (38%) 4. Balancing family and business interests (32%) 5. Government regulation/procedures (29%) | <ol style="list-style-type: none"> 1. Balancing family and business interests (37%) 2. Domestic competition/market pressure (33%) 3. Falling customer demand (31%) 4. Availability of people/skills (30%) 5. Access to capital/growth funding (22%) |

Like other commercial businesses, the agribusinesses surveyed were most concerned about issues they couldn’t control. Four of the top five issues were ones over which farmers had little or no influence, such as exchange rates and the end-price of their products.

The only consistent issue of concern between agri and non-agri businesses was balancing family and business interests.

Almost a third of farmers say government regulations and processes are of concern. As with non-agri businesses they said the time and cost required to comply detracted them from their core business.

Policies such as the Emissions Trading Scheme (ETS), Resource Management Act (RMA) and the Dairy Industry Restructuring Act (DIRA) were seen as skewed against the agri sector.

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