

Tackling succession

Profitable businesses mean easier handovers

By ALISHA FOGDEN

SUCCESSION planning is all the more difficult in agriculture if farm businesses are not profitable, according to Australian Farm Funds Management managing director Frank Delahunty.

Mr Delahunty was one of the guest speakers at the Agribusiness Association of Australia lunch in Melbourne last week, where succession planning was the theme.

"Australia has the problem that many kids, after study, don't want to come home to farm because they don't want to come home to jobs that are not well paid or managed properly," he said.

"Farms need to be profitable so they can be handed over to the next generation who can then continue to run them profitably."

Mr Delahunty is a co-principal of Australian Farm Funds Management, which was established in 2006.

AFFM is the trustee, manager and custodian of Sustainable Agricultural Fund – an unlisted investment fund that owns and operates \$145 million worth of farms in three states (Victoria,



■ MGI Melbourne managing director Joff Macleod says only 25 per cent of farms surveyed by his company have a succession plan.

between corporate or private, it's all about being a profitable enterprise," he said.

Fellow guest speaker Joff Macleod assists a number of enterprises, including agricultural, as managing director of MGI Melbourne.

He said the business solutions company dealt with succession planning frequently but that only 25pc of farms it surveyed had a succession plan.

"It is similar to figuring out a will, it is a struggle that takes time," he said.

"There are a lot of blockages along the way and some difficult issues.

"But those issues will only fester without a plan.

"A properly facilitated succession plan deals with those issues, gets them out and will hopefully help to avoid conflict in the process."

Elders Real Estate Victoria and Riverina manager Shane McIntyre was also part of the forum panel.

"I visit many farms in a year, of varying size and varying people, and what I find is that every so often the property doesn't have a successor," he said.

■ Details:
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NSW, Tasmania) on behalf of seven well-reputed Australian institutional funds, including AMP and Australian Super.

Mr Delahunty said it was the first time these seven major companies had invested in agriculture, the confidence attributed to the returns that could be achieved.

"According to ABARE, the top 25 per cent of performers can achieve a return on investment of 10pc or more, which we push for," he said.

"About 6.5pc is from income, and 4pc from capital. Average performers return 0-3pc, while the worst are zero or in the minus.

"I am surprised when people don't believe 10pc can be achieved. Capital gain comes from population growth, declin-

ing land resource, world diet changes and so on, so the capital part of the business comes from just having land and sitting on it.

"The rest comes from what you do with it. It is up to the manager as to whether that income return can get up to 10-11pc."

Mr Delahunty said the same ABARE survey looked at why some farms got 6pc and some 0pc, and claimed 70pc of profitability was due to management.

The other 30pc came from diversification of enterprises or locations (15pc) and scale (15pc).

"So we need to replicate and unless we return results better than 10pc, we have failed," he said.

Mr Delahunty said the theory related to all farming ventures, whether private or corporate.

"There is no magical formula