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CGRC Rural Lands Strategy

Rural Lands Issues Paper:

FARM DIVERSIFICATION AND SUCCESSION PLANNING

CGRC Rural Lands Strategy

FARM DIVERSIFICATION AND SUCCESSION PLANNING ISSUES PAPER

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1. Executive Summary

Research shows rural communities are confident of a sustainable and economically viable future. So how do they imagine that future to be and how do they get there? Rural people see a future of alternative industries and forms of energy; and they see isolation and service demands being met by transformative technologies. Underpinning this future is the need to recognise the stability and importance of established farming in the CGRC district and its significant comparative advantage. As such Council's challenge is to reinforce agriculture through its strategic and land use planning.

Diversification is seen as a way to improve the general resilience of agriculture to cope with/accommodate change and trends. There are two types of farm diversification: **agricultural** and **non-agricultural**. Agricultural diversification opportunities will be/are influenced by regional industry trends, climate change, carbon farming, technological and labour force changes. Non-agricultural diversification is primarily tourism-related and is still niche in the CGRC region.

Building agricultural community resilience and supporting farm diversification into the future are intimately entwined with strategies like Succession Planning.

Succession Planning has been identified as a critical, highly complex issue for farm businesses and a significant barrier to agricultural and community growth. In the CGRC area succession is an ongoing major issue for farming families where generational change is imminent.

Family farms make up 60% of farm businesses across Australia. Only 30% of farms have a sustainable retirement plan or succession plan. Research suggests 66% of farm businesses do not survive transition from the first to second generation, and 85% do not survive from the second to third generation. Younger generations bringing different interests and preferences to family businesses can have problematic implications for Succession Planning which require support to understand.

Tourism represents a significant form of non-agricultural farm diversification. Australians are eager for an escape from city life, a connection with the land and rural cultures, a change of pace, food provenance and rustic experiences. Exciting CGRC regional farm business opportunities are highlighted by domestic travel research which shows us that: over 55s prefer domestic travel to international travel; family travel (and multi-generational groups) is the fastest growing most resilient sector; nostalgia for road trips means groups are opting to drive hours to regional destinations; farm stays are one of the fastest growing niche sectors; and on-farm events (e.g. birthday and wedding celebrations) are increasingly popular.

The CGRC region's future depends on its ability to embrace change and trends. Council's ongoing engagement with the farming community to share accurate information and develop common understanding is essential. Ways of supporting farm diversification, succession planning and farm business decisions need to be considered by CGRC to help maintain the current balance between family farming and corporate farming; **family farming being a cornerstone of the district.**

2. Introduction

Cootamundra-Gundagai Regional Council is the merged local government area of former Cootamundra and Gundagai Shires. The two towns of Cootamundra and Gundagai are the main population centres with a number of villages and rural communities also serving as residential options. All of these residential areas have strong existing and historical connections to the surrounding rural lands and the architecture and wealth of the towns in particular are directly attributable to the agricultural industry.

The total land area is 398,141.7 hectares, home to 11,141 people. (*ABS, 2016*) Agriculture, Forestry and Fishing is the largest employment industry, employing 15.3% of employed persons. Manufacturing (which includes agricultural value add industries) is a close second, employing 10.6% of employed persons. (*Census Time Series Profile, 2011*)

In 2011 the combined value of agricultural commodities produced from the Cootamundra-Gundagai Regional Council Local Government Area was $103 million, however this figure does not capture other agricultural outputs such as agritourism, local markets, events and so on.

Figure 1: CGRC LGA

Rural Lands Strategy Background

The merger of Gundagai Shire Council and Cootamundra Shire Council as Cootamundra-Gundagai Regional Council has stimulated the need for new planning instruments and policies; in particular a Local Environment Plan and Development Control Plan which cover the regional council area. A strategy to deal specifically with the rural lands of CGRC is proposed which aims to analyse agricultural trends and opportunities for the area. This strategy will help to update mapping for the new Local Environmental Plan while also providing rationale and reasoning for zoning and minimum lot sizes in rural areas.

Rural land is often neglected from a planning perspective due to more pressing planning needs in larger centres, however agricultural land often has a disproportionate impact on residential and economic activity when compared to development in a town, with intensive feedlots, quarries, landfills, etc. Furthermore, agricultural activities themselves such as piggeries, vineyards, feedlots and so on have a long-term impact on the use and viability of the site and surrounding lands. Through the strategic planning process, controls and principles of development can be placed on agricultural land to ensure the viability of the land into perpetuity as well as providing opportunities for emerging and new agricultural enterprises to establish in the area.

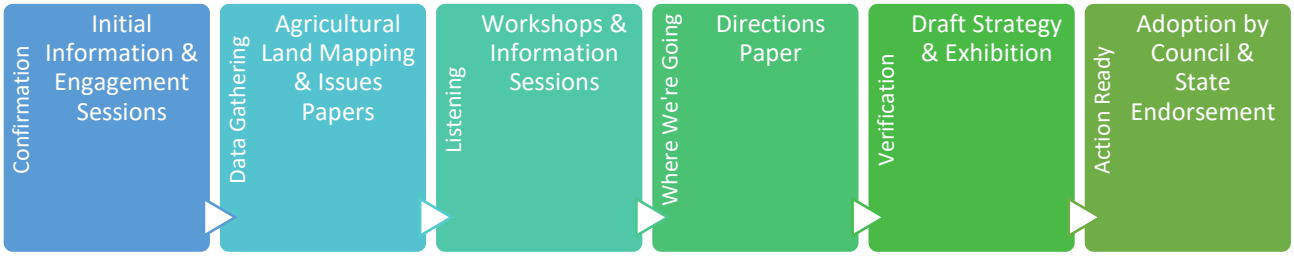
The two former shires have varied terrain and soil quality which makes formulating one course of action or plan for rural land difficult. However, this should be viewed as an opportunity which will make Cootamundra-Gundagai Regional Council more attractive and marketable to residents, visitors and prospective residents as a wide variation of agricultural pursuits can be explored in this single local government area.

It is Council's intention that the Rural Lands Strategy serves not only as a land use planning document, but as a plan for economic success and growth through the shared identity of agriculture. This leverages off what Cootamundra-Gundagai Regional Council does best (agriculture), connections to logistic hubs and routes as well as capitalising on changing recreation and tourism trends.

Purpose of the Issues Papers

The Issues Papers are integral to the success of the Rural Lands Strategy as they are background documents based on research and science; analysing trends elsewhere and juxtaposing this with the situation within Cootamundra-Gundagai Regional Council.

There are ten Issues Papers which will be produced with the community having shaped not only the overarching theme of each paper, but also having has identified a number of existing constraints and opportunities to be investigated. Based on the findings of the Issues Papers and workshops during the "listening" phase, a directions paper will be produced which will list key directions for the Rural Lands Strategy.



3. Farm Diversification

3.1 Background

The Farm Diversification Issues Paper:

- Identifies what farm diversification and succession planning are;
- Examines the issues affecting farm diversification and succession planning;
- Discusses the importance of both to the wider farming sector; and
- Identifies local and regional opportunities for diversification and succession planning.

In developing this Issues Paper, key industry stakeholders were approached to ascertain their views about farm diversification and succession planning in the Cootamundra-Gundagai Regional Council area. This information has formed part of the local context for these issues which are industry wide issues.

This dialogue with stakeholders has also contributed to developing "on the ground" knowledge and experience in the Council area.

A summary of the stakeholder engagement is included in Appendix I.

3.2 What is Farm Diversification?

Definition of farm diversification

The variety of change affecting the farming sector in Australia is well documented. The farming sector has to adapt and innovate in response to climate, natural hazards, environmental pressures, pests and diseases, and variations in local and overseas markets. In 2015 Regional Development Australia, Murray Region highlighted that diversification across a farm business was an essential element of business and enterprise sustainability.

Medhurst and Segrave (2007) for the Rural Industry Research and Development Corporation (RIRDC) examined the various definitions of farm diversification with the aim of providing a clear picture of industry sector change.

The most common definition for farm diversification found at that time was "the introduction of a non-traditional source of income into the pre-existing farm business". *(Medhurst et al, 2007, .2)*

The work undertaken at that time also highlighted that there are two sub-categories that characterise farm diversification trends, they include – "agricultural and non-agricultural". *(Medhurst et al, 2007, p2)*

The first sub-category, agricultural diversification, is the introduction of an additional farming enterprise into an existing farming business. In some cases, this is commonly referred to as mixed farming where there are a number of complementary agricultural activities within the farming business. However, farm diversification encompasses other factors than just the number and type of enterprises undertaken in a farm business.

The second category is non-agricultural diversification. This includes introducing a specific non-farming activity into an existing farm business (eg farm stay accommodation).

The Issues Paper examines both forms of diversification relevant to the Cootamundra-Gundagai Regional Council area.

Factors influencing diversification

For farm diversification to be a successful management strategy in farming businesses the enterprises must be selected with respect to how well they complement existing enterprises and how compatible they are.

Research into farm diversification identified a number of broad trends. *Campbell White and Associates and Black (2002, p8-9*) have identified that:

- Larger farms are more likely to be more diversified;
- Farmers with higher education levels tended to run more diversified businesses;
- The location of the farm had a significant impact on the options and ability of farms to diversify;
- Age, off-farm income, farm business organisation and farm ownership had no significant impact on a farmer's choice to diversify; and
- Farms that had greater access to markets were more likely to be diversified than those that were disadvantaged by distance to markets or serviced by poor road infrastructure.

The critical success factors that influence diversification opportunities are complex and inter-related.

They include, but are not limited to, access to information, planning, business management, assessment of risks and time. These are substantive issues that have been widely examined across the sector.

More recently there has been ongoing development around the delivery of information about farm diversification options. This includes online access to resources developed specifically to assist in researching diversification opportunities.

"AgriFutures Australia Farm Diversity Portal" provides guidance to farm diversification opportunities based on location, existing enterprises, soil types and climatic zones including rainfall data. It also presents a number of detailed case studies around farm diversification highlighting the decision-making process undertaken by a number of different farm enterprises. *(AgriFutures Australia n.d.)*

Impacts of farm diversification

Agriculture is an important part of the Australian economy and has strategic significance because it supplies food and fibre to Australia and export markets.

The sector is also a significant employer in regional Australia.

Allen (2012) documented some of the trends and changes in Australian agriculture including:

- A market shift towards the Asia-Pacific;
- A move away from livestock products to other agricultural products;
- New systems and farming technologies;
- A shift of production northward to Western Australia, Queensland and the Northern Territory; and
- Farm ownership and corporate structures moving toward leasing and rental options, despite a relatively high proportion of family farms.

These key trends and changes have also been influenced by domestic and international markets, availability of water, patterns of settlement and adaptive technology.

Diversification has been cited as a way to improve the general resilience of agricultural systems to these documented changes and trends.

Lin (2011, p.183) highlights that the adoption of increased diversification in agricultural production, for example in the global cropping sector, has been slow for a number of reasons including:

- Economic incentives for production of monoculture crops under intensive management has outweighed incentives to implement diversified farming systems;
- The efforts to adapt agriculture to climate change have focused on the development of biotech solutions to produce drought-resistant crops, pushing agriculture toward more expensive and intensive forms of management; and

- The belief that biomass production is substantially greater in mono-cropped systems than in multispecies systems has discouraged the move toward more diversified systems.

The challenge for the implementation of diversification in agricultural systems for farmers is finding the appropriate balance of diversification within the farm system to satisfy both production and business protection values *(Lin, 2011).*

While the impacts of adopting farm diversification directly affect farm businesses and enterprises there is limited research about the wider impacts of diversification on rural communities.

Earlier research identified some of the external impacts of farm diversification that may include local economic changes such as job creation, service provision demands, changes in land-use, infrastructure, noise and pollution, job training, linkages, suppliers and new markets. *(Medhurst et al, 2007, Figure 1, p4)*

Farm diversification may assist under these circumstances to alter rural demographic shifts that have accelerated in the changing farming landscape. These shifts have occurred despite farming industry changes that are occurring. Rural communities in general are increasingly characterised by declining and ageing populations, decreases in young people and an influx of retirees, immigrants and people from disadvantaged socio-economic circumstances seeking access to low-cost housing and employment.

Research has found that many rural communities imagine very different futures, some of those futures include the management of isolation and service demands are managed through technology, and alternative industries and energies offer a sustainable and economically viable way forward. Rural communities remain confident of their future, even if that future does not necessarily involve supporting traditional farming enterprises. *(Askew, Sherval & McGuirk, 2014)*

3.3 What is Succession Planning?

Definition of succession planning

Succession planning has been identified as a critical and complex issue for farm businesses. Succession planning involves the transfer of ownership and control of farming assets to the next generation charged with the responsibility of continuing the farming business. *(Wilkinson and Sykes, 2007)*

With the majority of farms in Australia being ‘family farms’ which account for about 60% of land use in Australia, succession planning is important to the continuation of family farming by subsequent generations. *(Falkiner, Hicks, Steen & Keogh, 2017)*

Current trends in succession planning

Both *Falkiner et al* (2017) and *Chapman Eastway* (2016) as part of research into farm business planning identified a number of major trends in Australian farming including:

- The majority of Australian farms are family businesses;
- There is a substantial fall in the number of family workers in the rural sector and an increase in off-farm employment and education;
- The number of family farms is declining;
- Broad changes are forcing more open communication in the farming community on the need for succession planning;
- Family farms that continue have been forced to adjust to the exposure to a free market;
- Over a quarter of Australian farms are being run by owners who are over 65 years of age and there is a reluctance to shift away from traditional patterns in farmer retirement; and
- Farming is not like any other business due to the dynamic nature of farm management and family issues.

They conclude that succession planning, as a result of these trends, for Australian farms, is generally under-developed.

This research into farming trends also highlights at the heart of succession planning is the identification of a successor (or successors) to a farming business. This is identified as both a farming business issue as well as an issue affecting the wider farming community.

While it is broadly advocated in research and consultation with stakeholders that the farming community needs to be encouraged to engage in the succession planning process at an early stage, it is also acknowledged that the move of farming children away from farming also needs to be addressed by intervention of government policy.

Research suggests government policy intervention should be aimed at encouraging the growth and sustainability of regional economies to provide social and economic support for family farm businesses into the future. This includes supporting essential infrastructure development to support ongoing growth. *(Falkiner et al, 2017)*

4. Farm Diversification in CGRC

4.1 Farm Diversification in the Riverina

The Riverina region of New South Wales is located in the south of the state, extending from the Snowy Mountains north-west through the Murrumbidgee River catchment area.

The Australian Bureau of Agricultural and Resource Economics and Sciences identifies the Riverina region as including the major regional centres of Wagga Wagga and Griffith and the local government areas of Coolamon, Griffith, Cootamundra- Gundagai, Junee, Leeton, Lockhart, Narrandera, Snowy Valleys, Temora, and Wagga Wagga, as well as parts of Bland, Carrathool, Greater Hume Shire, Federation, Murrumbidgee, and Yass Valley.

Agriculture is the third largest employment sector in the Riverina region with 8,300 people employed in that sector, representing 11% of the region's workforce. *(ABARES, n.d.)*

ABARES data indicates that in 2015 – 2016 there were 3,365 farms in the Riverina region with an estimated value of agricultural operations of $40,000 or more. The breakdown of farm numbers by farm type is identified in Table 1.

Table 1: Breakdown of farm numbers and type of operation 2015 – 2016 – Riverina Region

Industry classification	Number of farms
Other grain growing	735
Grain-sheep or Grain-beef cattle farming	549
Beef cattle farming (specialised)	523
Sheep farming (specialised)	337
Sheep-Beef cattle farming	271
Citrus fruit growing	249
Grape growing	215
Rice growing	122
Cotton growing	68
Dairy cattle farming	49
Other	249
Total	**3,367**

Source: ABARES, n.d.

From Table 1 other grain growing farms (735 farms) were the most common type of farming enterprise, accounting for 22% of all farms in the Riverina region, and in NSW represents 25% of all other grain farms across the state. *(ABARES, n.d.)*

Agricultural production in the region is considered to be reasonably diverse and includes irrigated rice and cotton, winter cereals, horticulture including fruit, nuts and viticulture, as well as extensive areas of dryland cropping and livestock grazing such as beef and sheep and wool. There is also some intensive livestock production of pigs and poultry. The dairy industry is part of the larger irrigated Murray Dairy region. *(RMCG, 2016)*

The strength of agriculture in the broader Riverina Murray region is identified as the ability of the region to leverage downstream supply chains in food processing and distribution. The wider region includes connections to the NSW Murray and Murrumbidgee irrigation areas that support significant rice, horticulture and an emerging cotton industry. *(RMCG, 2016)*

Contained in the *2013 – 2016 Regional Development Australia (RDA) Riverina Regional Plan* (*Regional Development Australia, 2013*) prepared by Riverina RDA are a number of priorities to encourage greater economic growth, diversity and industry innovation. This includes promoting both diversification and value adding opportunities in the agricultural sector described as the food & fibre economy.

4.2 Farm Diversification in CGRC

In June 2017 there were 386 businesses in the Cootamundra-Gundagai Regional Council area associated with Agriculture, Forestry and Fishing (*ABS, n.d.*). This was also the major employing industry across the Local Government area in 2016 at 15.2%. No breakdown of the number of farms by type is available by local government area in the 2016 ABS.

From discussions and engagement with local stakeholders including the Riverina Local Land Services the following information provides more detail about current levels of diversification in the Cootamundra-Gundagai Regional Council area.

According to local stakeholders, the rate of farm diversification in the CGRC region is relatively slow.

In terms of diversification within the agricultural sector, examples of farms that have permanently diversified into a mix of stock and crop enterprises are limited. What is more common in the region is that farms still tend to 'flex' or switch between enterprises in response to traditional factors such as market forces and prevailing conditions.

For example, in recent times farms have favoured stock enterprises because of historically high prices for stock and stock products and prevailing climate conditions that have suited maximising the amount of land available for stock production. At other times, when stock prices have been lower but prevailing conditions and demand for winter and annual crops have been favourable farms have allocated more land and resources to cropping.

Underlying this trend is the fact that this region, relative to others, historically has had stable and predictable seasonal conditions that enable farmers to continue to primarily respond to market forces in their choices for utilising land. This stability and predictability is reflected in relatively high land values for farms regardless of whether stock, cropping or mixed farming is the predominant use. Farmers in this district have had a relative degree of freedom around changing their farming mix from time to time to take advantage of market forces.

Changing technology (for example, agri-tech, GM crops) doesn't appear to be a major influence on farm diversification *per se* – this is mainly taken advantage of where it assists the productivity of existing enterprises.

In terms of diversification into non-agricultural uses, there are some farms that have introduced small scale tourist accommodation enterprises, but this is not widespread and is generally driven by factors to do with the changing personal circumstances and preferences of farming families as opposed to a response to any major change in market forces or prevailing conditions.

5. Farm Diversification Issues

5.1 Regional Industry Trends

RCMG prepared for the Department of Planning and Environment the *Riverina Murray Agricultural Industries Final Report* in January 2016.

This report identifies the distribution of Gross Value of Agricultural Production (GVAP) across the region including the Cootamundra-Gundagai Regional Council area. Detailed analysis of GVAP is contained in the Farm Holdings and Rural Land Use Issues Paper.

RCMG (2016) identify the main industries contributing to GVAP from the Council area are:

- Cropping;
- Meat and livestock;
- Wool;
- Perennial horticulture (wine grapes, nuts, fruit);
- Milk; and
- Eggs.

The report identifies industry trends for the Riverina Murray region relevant to the Cootamundra-Gundagai Regional Council area, as indicators of current and future agricultural diversification including:

Cropping

- Around 3,500 farms are identified as grain growing farms in the region with around 40% of these including a livestock enterprise;
- Since 2001, the number of broadacre mixed and cropping farms has decreased by around 24% from around 4,700 farms while at the same time there has been an increase in the area and production of grain;
- There has been a trend away from sheep in mixed farming systems towards more intensive cropping. On-farm storage of grain has substantially increased, and farmers are using a range of tools to price and direct sell their products; and
- The total number of mixed grain-livestock farms in the region reduced by 48% from around 2,250 to 1,500 farms. This indicates that there has been some consolidation of mixed farms as well as grains only farms and mixed farms shifting to grains only enterprises.

(RCMG, 2016 P.23)

Meat and Livestock

- Livestock production for meat in Riverina Murray includes beef cattle, sheep, pigs and poultry;
- There has been some fluctuation in the number of livestock farms. Between 2001 and 2011 numbers peaked in 2006 at around 2,700 farms, representing a 28% increase on the number of farms in 2001. Farm numbers then reduced to around 2,300 farms in 2011. There has also been a steady decline in the number of mixed farming enterprises over the same period, with the number of farms falling 32% since 2001; and
- The range of grazing only farms (beef or sheep grazing, or both) by business size and area of holding changed little between 2001 and 2011 in the main livestock production LGAs across the region.

(RCMG, 2016, p.38)

Wool

- Over the period 1992 to 2009 the Riverina Murray region experienced a 46% decline in sheep numbers. Since 2009, sheep numbers have stabilised;
- Wool production has declined and there was nearly 60% less wool produced in the region in 2010 (28,000 tonnes) than in 1992 (67,000 tonnes); and
- While wool production has halved over the past two decades, the gross value of wool production has been maintained.

(RCMG, 2016, p.39)

Perennial horticulture

- Perennial horticulture in the region is comprised of orchard fruits (mostly oranges and apples), wine grapes, nuts, and nurseries, cut flowers and cultivated turf;
- In the last 20 years across the region there has been an increase in the production of grapes, citrus, apples and pears while production of stone fruit has decreased;
- The wine grape and citrus industries in particular, have been impacted by global over-supply and price slumps;
- The value of walnut production is expected to increase significantly as close to 80% of trees currently planted mature and begin to bear harvestable fruit; and
- Perennial horticulture is highly dependent on access to a secure water supply and is concentrated in areas with access to High Security water entitlements and groundwater.

(RCMG, 2016, p.47-49)

Milk

- There has been a 28% decrease in the total number of dairy enterprises between 2001 (265) to 2011 (190). Despite the decrease in the total number of farms, there was a significant increase (23%) in the number of farms generating more than $1 million between 2001 and 2011. This represents an intensification of the industry through the increases in bought in feed, higher water use and water use efficiencies and productivity gains on farm; and
- Poultry production is less widespread. The majority of poultry production occurred in the Griffith and Bland LGAs, which combined generated 94% of the regional GVAP for poultry production.

(RCMG, 2016, p.53)

These industry trends across the region indicate a shift in enterprises away from more diversified agricultural production systems with an increase in single production enterprises. This is particularly evident in the cropping sector and mixed livestock enterprises.

Insights from stakeholder consultation tend to confirm the focus on single production enterprises, acknowledging, however, that some farms may flex or switch between the intensity of production within existing enterprises to take advantage of market forces and prevailing conditions. Intensification of enterprises has been and remains a stronger force in the region than diversification.

5.2 Climate Change

Climate change has been highlighted as a major influence on Australian agriculture including diversification.

Hughes, Steffen, Rice & Pearce (2015) identify that the key impacts of climate change on agricultural production include:

- Making weather patterns more extreme and unpredictable, with serious consequences for Australia's agricultural production;
- More frequent and intense heatwaves and extreme weather events that are affecting food prices across Australia;
- Affecting the quality and seasonal availability of many foods in Australia;
- Increasing vulnerability of, and disruptions in, food supply through extreme weather events;
- Changes to international competitiveness in many Australian agricultural markets with a warming climate and changing weather patterns; and
- Adaptation to food production challenges will be increasingly difficult and expensive.

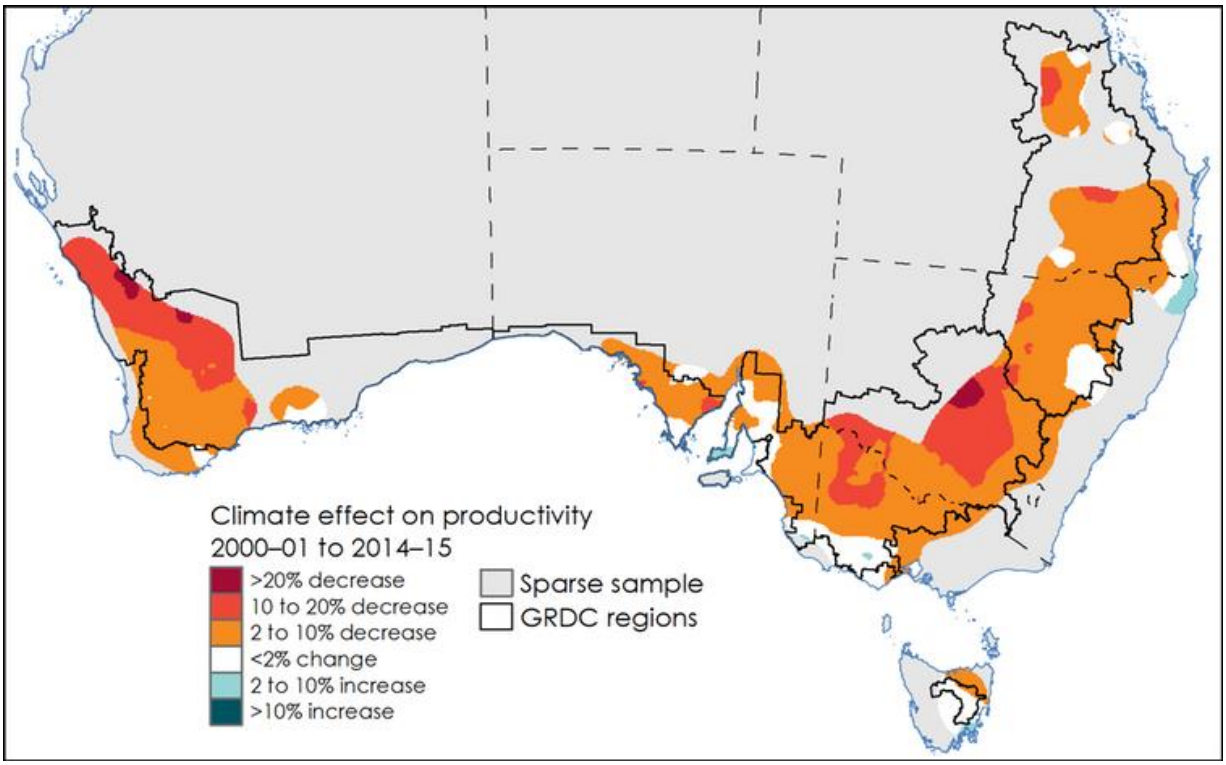
Hughes, Lawson & Valle (2017) examine the effect of climate variability and climate change on the productivity of Australian broad acre cropping farms between 1977 – 1978 and 2014 – 2015.

This research confirms that changes in climate have had a negative effect on the productivity of cropping farms, particularly in southwestern Australia and south eastern Australia.

In New South Wales climate conditions post 2000 – 2001 lowered productivity by an average of 6.5%. *(Hughes et al, 2017)* Figure 2 is an extract of spatial mapping of south-eastern Australia.

Hughes et al (2017) found that the drier inland parts of the cropping zone have been more heavily affected, partly because these areas are more sensitive to rainfall decline. Smaller effects have occurred in the wetter zones closer to the coast. In these areas changes in rainfall are cited to have little effect on – and can even improve – crop productivity.

Figure 2: Key agricultural zones impacted by climate change



Source: *Hughes et al, 2017*

Note[1]: Reproduced from *Farm performance and climate: Climate-adjusted productivity for broadacre cropping farms*, Hughes, N, Lawson, K & Valle, H 2017, p3, Canberra, April. CC BY 3.0. © Commonwealth of Australia 2017

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Kandulu, Bryan, King & Connor, CSIRO Ecosystem Services (2012) published research entitled *Mitigating economic risk from climate variability in rain-fed agriculture through enterprise mix diversification* centring on the dry land cropping and grazing areas of the Lower Murray region of southern Australia.

The findings of that research highlighted that climate variability, and its increase with climate change, poses substantial economic risks to farming. The research also found that while farm enterprise mix diversification is the most common strategy for mitigating short term risks to agricultural enterprises there is a lack of information assessing the long-term impacts of climate change on the viability of these types of agricultural enterprises. *(Kandulu et al CSIRO Ecosystem Services, 2012)*

In the case of this research it found that diversification in enterprise mix was least successful in dryer areas where rain variability was significant. The research also found that the greatest benefit of diversification was found in marginal agricultural areas where there was a trade-off between the benefit of reduced rainfall variability and the cost of reduced expected net returns. *(Kandulu et al CSIRO Ecosystem Services, 2012)*

Hughes et al (2015) identified a number of broad indirect economic impacts on agricultural production associated with climate change. These include:

- Higher energy use and costs associated with extended droughts;
- 15% of Australia's greenhouse emissions are generated by agriculture; and
- Increasing costs of inputs such as fuel, electricity and fertiliser.

Climate change impacts introduce a high level of risk and new streams of farm diversification are aimed at supporting the management of those risks.

Barber (2009, p.19) identifies that farm management responses, including diversification, need to take into account a wider range of factors. These include:

- Experience with past climatic variability;
- Confidence in weather forecasts;
- Financial security;
- Projected enterprise profitability;
- Enterprise mix;
- Location;
- Access to capital;

- Access to – and acceptance of – new technology;
- Attitude to risk;
- Expectation of government intervention to reduce or share the risk;
- Off-farm opportunities (commercial and social); and
- Level of education and training.

Spreading the risk of climate change impacts through diversification is only part of the adaptation of agriculture to climate variability.

5.3 Carbon Farming

Farm diversification may also be impacted by decisions of farming businesses associated with carbon farming.

The Carbon Farming Initiative (implemented through the Emissions Reduction Fund) was established by the Australian Government in 2011 to allow farmers to voluntarily participate in carbon markets by storing carbon or reducing Green House Gas (GHG) emissions on the land. *(Carbon Farming Institute, n.d.)*

The Emissions Reduction Fund is identified as an alternative revenue stream for farming families.

The fund works by issuing Australian Carbon Credit Units (ACCUs) for every tonne of carbon emission reduced or avoided through the project's activities. ACCUs can then be sold to the government under a contract or on the secondary carbon market.

In terms of the process carbon trading involves farmers participating in carbon credit projects that are set up to generate carbon credits and then competing in tenders to sell them to the Commonwealth Government's Emissions Reduction Fund.

These projects usually involve a project promoter (an aggregator) who oversees individual emissions reductions or sequestration activities as part of a single, umbrella project (an aggregation) that shares in the revenue from carbon credit sales. Project promoters can also set up separate projects for individual businesses and farmers. The promoters can then oversee the generation and sale of carbon credits from each project. *(ASIC, n.d.)*

The first acquisition linked to the Carbon Farming Initiative occurred in August 2011. The federal government and RM Williams Agricultural Holdings combined to pay $13 million for Henbury Station in the Northern Territory outback for it to be transformed into the world's largest carbon farm. *(Sydney Morning Herald, 2011)*

The Australian Farm Institute (2014) researched and developed a number of case study examples associated with carbon farming and reducing Green House Gas (GHG) emissions on existing farming enterprises.

Four case studies were selected including three case studies in south eastern Australia – a beef cattle and sheep farm in north eastern Victoria, a sheep farm in southern NSW and a sheep-grain farm in Central Southern NSW.

The case study for the sheep-grain farm looked at changes to farm management associated with fertilising and lambing as well as tree planting of 20% of the farm (74ha) with ongoing environmental stewardship commitments. In terms of GHG annual emissions reduction the highest result for this case study was achieved through the development of an environmental tree lot within the enterprise. This was the same result for the sheep farm enterprise with 10% of grazing area dedicated as an environmental tree lot. *(Australian Farm Institute, 2014)*

For the beef cattle and sheep farm the highest reduction in emissions was achieved by changing the operation to a predominantly sheep meat operation. *(Australian Farm Institute, 2014)*

CSIRO in the *Australian National Outlook 2015* highlighted for agriculture in Australia that:

> *"new markets and policy settings that enable carbon farming, especially in currently less productive areas, would allow many rural landowners to increase and diversify their incomes……payments for carbon sequestration could be harnessed to reward rural land owners for restoring ecosystems, increasing native habitat by 17% and decreasing extinction risks by 10%, without large additional government outlays". (CSIRO, 2015, p.11)*

While agriculture remains one of the major contributors to greenhouse emissions, new carbon markets and incentives could make storing carbon or producing energy from land more profitable than farming. This may result in the potential conversion of agricultural land into a carbon sink.

Planting trees for forestry is currently the main carbon sink used in Australia. Trees absorb carbon and about 50% of the dry weight of tree roots, branches, trunks and leaves is carbon. Planting trees onto cropping areas has potential to sequester large amounts of carbon, particularly as the soil carbon is starting from a low base. *(Future Beef, n.d.)*

While planting trees on pasture land and foregoing grazing income may achieve a carbon farming outcome this may not be economical especially as the carbon needs to be locked up for a guaranteed 100 years. *(Future Beef, n.d.)* It was also identified that there are over 17 companies selling carbon credits in Australia. One company was selling carbon credits for $16.50 a tonne. *(Future Beef, n.d.)*

The value of carbon farming was identified in November 2017 when the Australian Clean Energy Regulator reported that almost 60% of Emissions Reduction Fund projects were based in the land sector with contracts worth more than $1.6 billion awarded for land sector projects since the $2.5 billion Emissions Reduction Fund began in 2015. It is estimated that these contracts will deliver an estimated 135 million tonnes of carbon abatement. *(Carbon Market Institute, n.d. and Clean Energy Regulator, 2017)*

The Carbon Market Institute (n.d.) also confirms that after the first five Emission Reduction Fund auctions, the vast majority of contracts are land sector projects.

The Institute indicates that approximately 153 million tonnes of abatement is under contract to land sector projects which equates to roughly $1.8 billion of investment. *(Carbon Market Institute, n.d.)*

The future demand from international voluntary and compliance carbon and environmental markets for verifiable and premium carbon credits is expected to grow. This demand is likely to provide new opportunities for Australian land managers and project developers to supply carbon credits. *(Carbon Market Institute, n.d.)*

5.4 Technological Change

Technological change is considered to be a significant issue impacting on diversification in agriculture.

Hajkowicz and Eady (2015) reported on the five megatrends that are envisaged to impact Australian agriculture over the next 15 to 20 years, one of which was transformative technologies. This will contribute to the changes in how food and fibre products are made and transported.

Broadly transformative technologies include a selection of key technologies—such as digital technology, genetic science and materials science. This megatrend explores how these will change the way food and fibre products are made. *(Hajkowicz et al, 2015).*

Hajkowicz et al (2015) anticipates that the impacts on the agriculture sector will include:

- Farmers will have more sophisticated decision-making tools;
- New business models will develop in the sector;
- The concept of farming will be expanded to non-food rural land use;
- Farming will be more transparent;
- Farming will be less manual and more digital; and
- Maintaining competitive advantage will call for informed decisions.

The House of Representatives Standing Committee on Agriculture and Industry delivered its report in May 2016 entitled *Smart Farming inquiry into agricultural innovation.* The areas in the agricultural sector, highlighted in this inquiry, where technologies are emerging included:

- Biological science;
- Materials science;
- Seasonal forecasting; and
- Digital science.

Submissions to the inquiry provided examples of advances in technology that have benefited agriculture across Australia. Examples provided to this inquiry included:

- Mechanisation;
- Fertilisers;
- Crop rotation;
- Nitrogen fixing and fallowing;
- Animal genetics and breeding;
- Crop protection products such as fungicides, herbicides and insecticides;
- Plant genetics and breeding;
- Disease resistance;
- Minimum or no tillage;
- Genetically modified crops;
- Integrated management practices and best practice programs;
- Animal monitoring, including oestrus detection, temperature recording, body condition and weight measurements;
- Carcass classification and traceability;
- Animal tracking, using GPS;
- Controlled traffic farming;
- Precision agriculture;
- Sterile insect technology;
- Remote sensing for yield mapping, soil, water and pasture monitoring and measurement;

- Drone use for crop assessment, weed detection and tree and vegetable crop analysis and pest management;
- Variable rate technology;
- Robotics including robotic milking and robotic crop monitoring;
- Automation including harvesting, planting, irrigation and spraying systems, and automated livestock weighing and handling;
- Driverless or GPS guided vehicles; and
- Use of big data.

(*House of Representatives, 2016, Appendix D, p.135-137*)

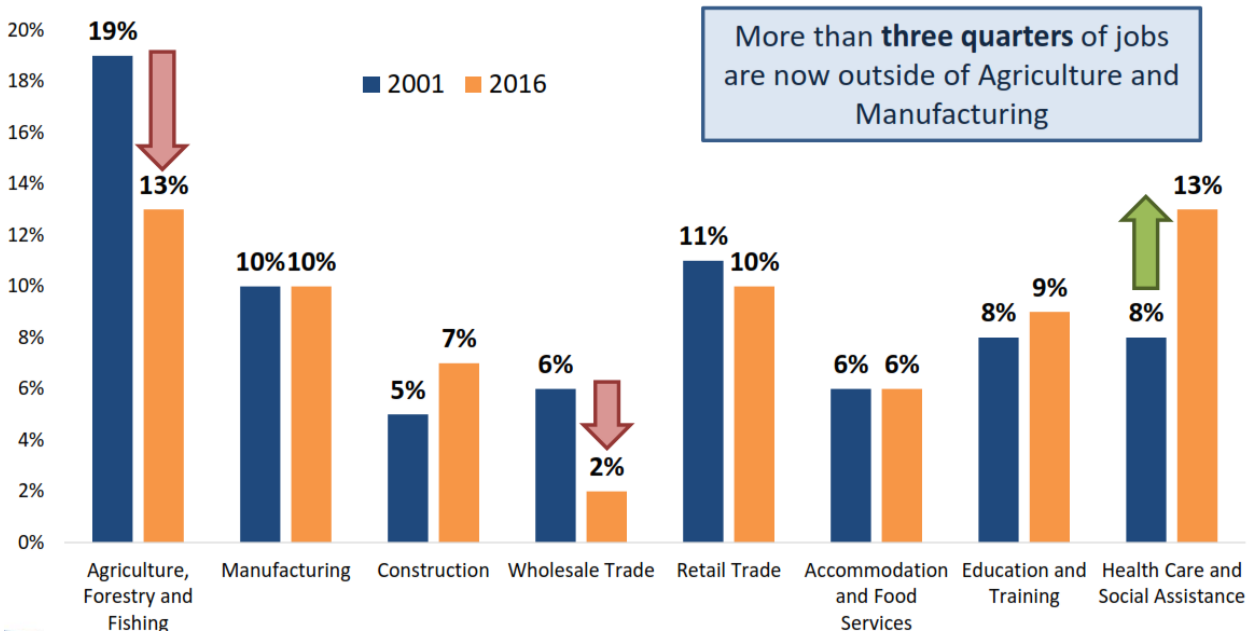
The House of Representatives Standing Committee on Agriculture and Industry also examined some of the impacts of innovation in agriculture on employment in the sector. In representation to the inquiry the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) predicted that demand for skilled labour will increase to help farm businesses adopt sophisticated technology and become more innovative. Other submissions to the inquiry established that skilled labour is difficult to access. *(House of Representatives, 2016, Section 5.17 & 5.18, p.59)*

Some of the causes of a skilled labour shortage, included location, the ageing workforce, telecommunications, succession planning, access to unskilled labour and training.

In the Riverina region for example there has been a significant shift in workforce structure.

Figure 3 represents changes in workforce structure between 2001 and 2016.

Figure 3: Workforce changes and restructuring Riverina region 2001 – 2016



Source: Ivan Neville Branch Manager, Labour Market Research and Analysis Department of Jobs and Small Business Presentation to Regional Development Officers Forum Griffith, 10 May 2018

Note: Reproduced from power point presentation by Ivan Neville Branch Manager, Labour Market Research and Analysis Department of Jobs and Small Business Griffith 10 May 2018

Figure 3 identifies a 6% decline in the workforce in Agriculture Forestry and Fishing at a regional level despite agriculture output growing by 16.3% in 2017. (*Neville, 2018*)

In contrast to this historical trend in workforce restructuring official data for graduate completions in agriculture nationally indicated a rise in 2013.

In 2015, total graduate completions were just under 300 compared to 200 agriculture graduates in 2013. The highpoint was 600 graduates in 2003. In Wagga Wagga, TAFE NSW runs the Riverina Institute. The Institute reports that in its Primary Industry Centre it has added 100 auto apprentices in a project involving three tractor companies and there has been a doubling of students in subjects such as wool classing. *(Financial Review, 2018)*

5.5 Tourism

Tourism represents a significant form of non-agricultural farm diversification in the form of farm tourism, farm stays and on-farm event venues.

NSW Domestic Travel

The most recent research in to Australia's domestic travel market highlights important traveller mind-sets and attitudes that are relevant to development of farm tourism initiatives. City-dwellers view holidays as a necessity to alleviate stresses of everyday life, and this is more evident when the holidays are taken away from city centres. Getting away from crowds has become more important for both intrastate and interstate travellers in 2018. *(TNS Australia, 2018)*

Regional destinations offer key attractions for what Australians are seeking from their holidays. While Australian travellers don't have one typical destination in mind when they think about regional travel, there are some experiences common to everybody's idea of regional Australia.

- For farm tourism, Australian domestic travellers are looking for personal development, a connection with the land and to escape city life;
- When visiting the country, Australian domestic travellers expect a change of pace, and rustic, thoughtful experiences;
- For small towns in regional areas, Australian domestic travellers look forward to experiencing a new place, discovering hidden gems and quirky characters; and
- Inland destinations offer Australian domestic travellers an opportunity to reconnect with friends and family during short breaks away, offering a freedom from everyday life.

  (TNS Australia, 2018)

Tourism in regional areas appeals to a wide age range of Australian domestic travellers, from 'millennials' to 'baby boomers'.

The millennials age group seeks authentic and genuine travel experiences, together with a variety of active and passive ways to enjoy them. For older millennials, in the 25 – 34 age groups, travel is about rejuvenation and search for self. Through travel, this group seeks to recover from work and is a way of getting away from responsibilities of everyday life. They feel the need for regular breaks to sustain and keep themselves going and seek out relaxing experiences that they can't have at home. *(Tourism Research Australia, 2017)*

For regional destinations to attract millennials, they need to offer something unique and have basic, yet sophisticated experiences. This could include country food and wine and nature-based experiences. Short breaks in regional NSW currently offer millennials an opportunity to relax and reflect, often with friends. Importantly, in this context, rest and relaxation does not mean just passive experiences, but rather experiences that promote discovery, rejuvenation and an opportunity to forget about routine life, and these can include very active pursuits. *(Tourism Research Australia, 2017)*

At the opposite end of the age range, the over 55s is one of most powerful age groups in Australia in terms of financial capability and increasing life expectancy. In a recent survey of Australians aged over 55 years, 96% of respondents took at least one leisure trip within Australia in the past 12 months, and the percentage of respondents who took two and three leisure trips was 26% and 23% respectively. This age group preferred domestic travel to international travel. *(Destination NSW, 2015)*

According to the survey, the most important reasons for over 55s taking overnight leisure trips are spending time with family and friends, getting away from daily routine, having fun, spending time with their partner and to relax mentally. *(Destination NSW, 2015)*

Family Tourism

The behaviours and motivations of the Australian Family Travel market are also complementary to farm tourism. With family lives becoming increasingly busier, domestic travel offers an opportunity for families to have a break from normal routine, to reconnect and open the lines of communication between adults and children without time pressures. Ease and convenience are the key drivers for domestic travel by families in Australia. They are looking for destinations that are relaxed and easy with beautiful surroundings, preferably only a few hours' drive from home. *(Destination NSW, 2015)*

To encourage domestic family travel in Australia, regional destinations should:

- Create the imagery for family reconnections, including tapping in to the emotion of reconnecting; and
- Offer a range of services that cater to the entire travel party, which may include children, teenagers and the elderly, including a range of options for dining and accommodation, entertainment and technology connections.

(Destination NSW, 2015)

Research also indicates that NSW family travellers tend to travel intrastate more often than other travellers, and their average trip duration tends to be longer. Families from Sydney tended to stay longer than families from regional NSW in both intrastate and interstate holidays. *(Destination NSW, 2015)*

NSW family travellers also reported a higher participation rate in outdoor or nature activities, and this was especially true for families from Sydney. Activities at a destination need to cater to the various ages in the group, as well as activities that are suitable for the whole group to participate in together. *(Destination NSW, 2015)*

Family groups desire a broader range of accommodation styles, such as two, three and four bedroom accommodation, with more versatile layouts including living spaces that allow separate areas for adults and children. *(Destination NSW, 2015)*

Car travel dominates as the preferred mode of transport amongst family travel groups in NSW, making regional destinations an accessible option. There is a nostalgia associated with road trips that is important in connecting families and allowing them to bond as a family unit. *(Destination NSW, 2015)*

Despite the change in traditional family models, international research indicates that the family travel segment is predicted to grow at a faster rate than all other forms of leisure tourism. Families today are connected differently than previously, and holiday travel offers families an opportunity to reconnect, reunite and spend time with each other away from the demands of everyday life. *(Schänzel & Yeoman, 2015)*

Destinations that offer relaxation, novelty, outdoor activities, arts and heritage sites are appealing to families. However, family travellers seek destinations for relaxation more than non-family travellers. Family travellers seek holidays offering experiences that are authentic, different to normal and which create positive memories. Spending time with the family and being active together are important drivers for family tourism. *(Schänzel & Yeoman, 2015)*

The desire to create memories and to encourage opportunities for communication and bonding amongst family members are important factors in the rise of family tourism. The desire of families to reconnect away from the pressures of work and school make family travel more resilient than other forms of tourism. *(Schänzel & Yeoman, 2015)*

The future of family tourism lies in catering for the increasing diversity of the family market. It includes offering opportunities for relaxation as well as activities that help create happy memories that appeal to the different ages of travellers in diverse family group structures. *(Schänzel & Yeoman, 2015)*

Multi-Generational Travel

Multi-generational travel is an extension of family tourism and it is expected to increase sharply and rapidly. Defined as leisure trips that include three or more generations, the multi-generational travel market is growing because:

- It is common for families to live in geographically dispersed places, so a multi-generational holiday provides an opportunity for family members to gather and re-connect;
- Technology and stresses in everyday life mean that families have limited time together at home, and travel offers an opportunity to escape and spend time together; and
- Baby boomers have the time, health and disposable income needed to facilitate a multi-generational holiday.

(Preferred Hotel Group, 2011)

In an increasingly hectic world with busy lifestyles, parents and grandparents have reported feeling guilty about not having enough time to spend with children. Multi-generational travel offers a solution to their desire to spend more time together as a family. Research amongst travellers who have taken a multi-generational trip in the past twelve months indicates that the majority (66%) agree that going on holidays as a family helps to bring the family closer together. This sentiment is more pronounced in affluent families. *(Preferred Hotel Group, 2014)*

The research indicates a strong desire for more 'together time' amongst family members, so they can reunite and become reacquainted with loved ones. The top two reasons for taking a multi-generational trip are:

- To spend quality time with the other members of my family; and
- To create life-long memories for the family members.

For travellers who had taken a multigenerational holiday in the past year, over three-quarter of respondents indicated it is something they try to do every year. Interestingly, this sentiment is particularly evident amongst the millennials age group. *(Preferred Hotel Group, 2014)*

As previously stated, the structure of families is changing throughout the world with non-traditional family models now very common. As a consequence, the composition of many multi-generational travel groups extends beyond the immediate family to include siblings, nieces and nephews, as well as non-relative friends. *(Preferred Hotel Group, 2014)*

It is no surprise therefore that, given the total number of people in the travel party, the cost of a multigenerational holiday is expensive. However, research shows that grandparents are more inclined than parents to pay for the holidays, enabling their extended family to have a holiday that they may otherwise not afford. *(Preferred Hotel Group, 2014)* Baby boomer grandparents are happy to pay for the holiday because they are keen to spend more quality, fun time with their grandchildren, and they have the health and mobility to do this. *(Schänzel and Yeoman, 2015)*

More recent reporting of multi-generational travel trends in Australia also indicates that this tourism sector is on the rise. Australian multi-generational holidays also include extended family members and look to this type of holiday to come together as a family and spend quality time with one another. *(Madden, 2017)*

Just like family tourism, multi-generational travel is also seen as important for creating long-lasting memories. With grandparents and other adult family members on hand to provide an extra set of hands and added supervision, it also takes the pressure of parents with children. *(Ryan, 2015)*

The top five benefits of multi-generational travel include:

- Bringing the entire family together;
- Helping build special memories;
- Affording grandparents time to spend with grandkids;
- Quality one-on-one time with family/spouse; and
- Adult relatives spending time with younger generations.

For these reasons, it is predicted that multi-generational tourism will continue to remain popular in coming years. *(Barnes, 2017)*

Multi-generational travel is also popular at the high-end of the travel market. Both luxury travel network Virtuoso and upmarket tour operator Abercrombie & Kent recognise multi-generational travel as a top-rating travel trend that endures. *(Kickham, 2018; Luxury Australian Travel Trade E-news, 2018)*

The motivations at this end of the market are similar to findings in other studies, being mainly to reconnect away from everyday life and share experiences with loved ones. In addition, there is also a wish to impart social awareness to the next generation through travel. *(Luxury Australian Travel Trade E-news, 2018)*

Celebration Holidays/Destination Weddings

An increasingly popular trend is to celebrate life milestones in the form of a group holiday. (*Luxury Travel Magazine, 2016)* Special 'zero' birthdays and anniversaries, as well as weddings and reunions, are increasingly being celebrated away from home where the guests can share quality time together and extend the party beyond just one day or night. *(Tsang, 2016)*

Research from popular travel website Booking.com shows that 60% of Australian travellers have been on a group holiday to celebrate a milestone occasion. *(Tsang, 2016)*

Key findings from the 2018 Virtuoso Luxe Report find that, in addition to multi-generational travel, the top five travel trends for 2018 also include celebration travel. *(Virtuoso, 2017)*

Weddings

The popularity of destination weddings also looks set to continue. One of the latest wedding trends has potential benefits for on-farm venues with couples choosing to host their weddings in big open spaces, for example on farms and large private properties. *(Duncan, 2018)*

There is also a trend in Australia and New Zealand for couples to seek out locations in beautiful natural settings that have enough accommodation in the surrounding area to accommodate all their guests. These locations are not always regular tourism destinations, with the emergence of less traditional locations also being used for weddings. *(Duncan, 2018)*

To facilitate this trend, websites such as www.wedshed.com.au have been developed to assist couples find unique wedding venues across the country. They enable venue owners to have a good online presence and be part of a wider network of vendors in the area, such as caterers, hairdressers and entertainers, which can benefit the whole region.

It is also common for couples that choose destination weddings to focus on the local culture as the theme for their whole wedding. This includes serving locally grown and produced food and using visual elements from the local environment and culture for decoration. *(Travelers Q, 2017)*

Farm Stays

As the name suggests, a farm stay is a working farm offering accommodation to paying guests. Some farm stays are interactive and include opportunities for guests to get involved in the everyday life of the farm and learn how the farm functions. Others simply offer a restful, peaceful location for a holiday. Farm stays are also known as agritourism. *("Farm Stay", 2018)*

The popularity of farm stays has been increasing in Europe since the 1980s, and this type of holiday is now growing in other parts of the world, especially Australia. *("Farm Stay", 2018)*

Farm stay experiences are one of travel's fastest growing niche sectors. They are now very popular in Australia and there are many excellent and well-known examples on outback sheep stations. However, smaller farms and vineyards closer to larger metropolitan centres are also developing farm stay experiences. *("New Travel Trends for 2017: Agritourism Farmstays - YourAmazingPlaces.com", n.d.)*

There are a number of drivers for the increasing popularity of farm stay holidays:

- Consumers' interest in the provenance of their food is growing and the popularity of the paddock-to-plate movement is expanding. People are becoming more mindful of food sources and they are seeking out opportunities to connect with local food sources; *(Rhodes, 2014; Wikipedia, 2018)*
- With the overwhelming use of technology in day-to-day life, farm stays provide travellers with an opportunity to disconnect and relax; *(Rhodes, 2014)*
- Consumers are also seeking out ways to reconnect with a rural lifestyle. *(Wikipedia, 2018)* In a progressively urbanised world, people are looking to rediscover outdoor living, including simply allowing children to get dirty; *(Rhodes, 2014)*
- Farmers are looking for alternative, non-agricultural sources of revenue to supplement their traditional agricultural income. *(Wikipedia, 2018)*

There are many different kinds of farm stay experiences, with accommodation options from rustic to luxury, and activities from restful and relaxing to active and hands-on. Farm stay options across Australia range from campfire cook-ups to fine food and wine, and basic shearers' accommodation through to restored farmhouses offering a refined experience. *(Rhodes, 2014)*

For farming families, farm stays can offer valuable financial and social rewards and provide another option for non-agricultural farm diversification. However, there are a range of considerations that must be contemplated before embarking on this journey. Council permission, regulations and other rules relating to the development of an accommodation and/or food business must be researched. There are many sources of information that can assist with this task, including online guides, industry associations and consultants. *("Farmstay potential", 2018*)

Food and Wine Tourism

Food and wine tourism is an important sector of the domestic travel market in New South Wales. In the past, wine was acknowledged as the core driver for food and wine tourism. However, the food component is becoming increasingly important as travellers seek opportunities to connect with producers and find out more about where and how their food is grown. *(Tourism Research Australia, 2015)* This complements the reasons stated for the increase in popularity of farm stay tourism discussed above.

Food and wine travellers rate the ability to eat fresh, locally grown food for breakfast, lunch and dinner as one of the most important attributes for a food and wine region. Travellers are seeking authentic interactions with producers and looking to make personal connections. They are interested in stories of food production, including the whole 'paddock to plate' narrative that might cover everything from farming practices through to how to use the produce in cooking. *(Tourism Research Australia, 2015)*

Travellers are also keen to have interactive experiences, such as picking their own fruit or participating in a farm tour where they see (and possibly participate in) some of the production process. They are keen to buy local produce in its various forms. *(Tourism Research Australia, 2015)*

Interestingly, the journey from home to their destination is part of the travel experience, highlighting the need for information on places to visit and things to do along the way. Once at their destination, food and wine travellers are also willing to take short drives in the surrounding area to visit other places of interest, which benefits other operators and businesses in the region. *(Tourism Research Australia, 2015)*

Almost one-third of food and wine travellers will typically plan a two-night stay for their trip, with 70% of all food and wine travellers staying three nights or less. For a weekend trip, most people would be willing to travel up to 300km, with Canberra residents indicating they would travel up to 400km for a weekend trip. Interestingly, food and wine day-trippers are willing to travel 3.5 hours for a day trip, making the Cootamundra-Gundagai region a daytrip destination from Canberra. *(Tourism Research Australia, 2015)*

Tourism represents a significant form of non-agricultural farm diversification in the form of farm tourism, farm stays and on-farm event venues.

6. Succession Planning Issues

In October 2014, the Australian Government released the *Agricultural Competitiveness Green Paper*.

This Paper represents one of seven released since 1998. The issues identified in the paper include diminishing farm gate returns, regulatory impositions, natural resource management, declines in participation in agricultural education, the market opportunities afforded by economic growth in Asia, drought and infrastructure. *(Lockie, 2015)*

One of the principles in this Green Paper is to:

- Keep families as the cornerstone of farming—by establishing career paths based on financial stability, training and succession options.

Australian farms represent over half the Australian rural landscape and are producers of some of the most essential commodities, food and fibre. From the Green Paper and other reform processes in the wider sector Australian farmers are subject to a myriad of expectations. *(Lockie, 2015)*

There is substantial literature that indicates there is a slow decline of family farming in Australia which is the important consequential effect of a problem with the transition in established livestock and broad acre agriculture from one generation to another.

Hicks, Sappey, Basu, Keogh & Gupta (2012) identify that there is the need to produce food at sufficient and sustainable levels in ways which enhance rather than compromise food security. One key route to achieving necessary food production through family farming is succession planning.

Succession planning is not without its issues. The key issues include ownership, income and operations. The current discussion in many parts of the sector is focused on the way that these are transferred and how the types of decisions that are made influence the transfer of skills, knowledge and understanding. *(Hicks et al, 2012).*

The National Centre for Farmer Health highlights the importance of succession planning on farmer health and family relationships. It observes that rapidly changing circumstances can mean loss of the farm and this can be traumatic as the farm may have sentimental as well as economic value. *(National Centre for Farmer Health, 2017).*

Added to this is the complexity of family traditions around who should inherit the farm and succession planning often ends up in the 'too hard basket'.

Succession planning is difficult and involves more than the transfer of assets.

A poorly planned and executed succession plan may not only have financial and taxation implications but can also have a major impact on family relationships. *(Deloitte, n.d.)*

The Alpine Valley Dairy Pathway Project in North East Victoria recognised the importance of succession planning not only for family farms but as one of the major barriers to agricultural and community growth. *(Farm online National, 2017).*

Rural succession planning is one of Australia's key issues for the next generation of farmers and rural communities. Succession planning formed part of a recent forum discussion of NSW Young Farmers and the Young Farmer Business Program. This program is a four-year initiative resulting from a 2016 – 2017 pilot project joint initiative between NSW Department Primary Industry, NSW Young Farmers Council and NSW Farmers Association. The success of the pilot project demonstrated the desire of young farmers to improve their business skills and be successful in the business of farming. The Program aims to improve their connections, knowledge, skills and experience to better manage risk, execute effective plans and make decisions that enhance business and personal resilience in the long-term. *(NSW Farmers, n.d.)*

Succession planning is not only of great importance to farming businesses but also to the rural community.

HoodSweeney (n.d.) identify the following statistics including: the number of farms has reduced by 25% in the past 20 years; the proportion of agricultural workers aged over 65 years is four times the national average; and 25% of farmers are expected to retire or semi-retire by 2020.

HoodSweeney (*n.d.)* also identify that only 30% of farms have a sustainable retirement plan or succession plan, research suggests that 66% of farm businesses do not survive transition from first to second generation and that 85% do not survive from second to third generation farm succession planning is seen as critical

According to stakeholders, the issue of succession is of course a continuing major issue for family farms where generational change is imminent. Older generations may worry that younger generations lack the interest or skills to maintain traditional farming at scale. Younger generations may wish to be more proactive towards changing the farming mix or adopting technology to suit a different lifestyle, where, for example, there is a desire to spend less time working the farm or an interest in trialling innovative enterprises. These generational differences have always been a part of family farm succession, but they have been intensifying in recent times as lifestyle and technological changes have been more significant than in the past.

A major flash point around succession can be over-capitalisation, both on and off farm. There are cases where younger generations seize upon high land values to access capital to fund their farming innovations or off-farm lifestyle choices. This can lead to the rapid fragmentation of land holdings and increase the risk of commercial failure. To offset this risk, older generations may sometimes be tempted to sell their farms to corporate buyers and then control the distribution of capital, or younger generations force the sale of farms because some prefer to take their value and leave the

farm. These dynamics can have a major effect on how much land is kept available for large scale farming.

The more effective succession planning processes have been those where there is a transitional handing over of the reigns to younger generation farmers, allowing these younger farmers to take smaller plots of land under their control at first, allowing them to manage, experiment and learn without taking on large or full-scale farming operations. Older and younger generations farm together in these transitional settings, sharing knowledge and experience and building trust.

6.1 Succession Planning Examples

The following are examples of actual succession plans executed in recent years in the Riverina and provide insight into some of the options for succession planning.

Example 1 – Mixed Dryland Cropping

Parents owned and operated two farms some distance apart. One of the farms was leased to the next generation with a long-term lease. The parent's wills state the leased farm will be transferred to the next generation (lessees) upon their passing. The leased farm comprises four portions, and in the first term of the lease, the parents decided to transfer the house block to the next generation. This approach provided the parents security of assets and income and opportunity for the next generation to establish their farm business with minimal debt and they are incentivised to improve the property knowing ultimately it will be theirs.

Example 2 – Large Scale Grain Production

Parents operated large business across several farms in conjunction with the next generation. One farm was sold to buy a house in town for the parents who then transferred all assets (farm land and plant and equipment) and debt to the next generation and moved off-farm. The arrangement included a sale of the assets from one generation to the next for an agreed sum (at a discounted price). The sale price is being repaid monthly, interest free over a number of years. The parents have taken out a second mortgage over the farms to protect their income. This approach provided a secure income to the parents to fund their retirement and the next generation full autonomy to own and operate their business.

Example 3 – Irrigated Cropping

Parents owned two large intensive irrigation properties and operated them with the next generation. One of the properties was transferred to the next generation with proportional amount of debt. The other farm was sold to fund the parent's retirement, including purchase of a house in town. Plant and equipment was transferred to the next generation. This approach provided the parents with secure capital to fund their retirement whilst providing a business of appropriate scale to allow the next generation to establish their own farm enterprise.

Example 4 – Irrigated Cropping

Two generations were operating an intensive irrigation cropping enterprise across three owned and one leased farm and associated water entitlements. Parents retired and transferred one of the farms to the next generation and leased the other farms and water at a discounted rate on a long-term basis. This approach provided the parents with asset and income security to fund their retirement and allowed the next generation the opportunity to farm with some assets in their own right.

Summary

The above examples provide a broad outline of some types of succession plans. The common themes include providing income and asset security to fund the parent's retirement, and enough scale of business and opportunity for the next generation to establish themselves in their own right. The challenge for many businesses is having sufficient scale to achieve both generation's priorities.

7. Opportunities

The opportunities in farm diversification and succession planning are best represented by case studies which were collected as part of the research and engagement with key stakeholders in developing this Issues Paper.

7.1 Non-Agricultural Diversification

The following are desktop local case studies of non-agricultural diversification in the Riverina region and CGRC.

Kimo Estate

Kimo Estate is the business endeavour of the Ferguson family who have successfully added rural tourism to their traditional farming enterprise; a 7,000 acre sheep and cattle farm. Located just outside Gundagai NSW, Kimo Estate is a unique wedding ceremony, reception venue, and luxury accommodation property. When the Ferguson's son, David returned to the land with his young family, they realised the potential of diversifying the farm's main business activities to include a farm wedding venue and premium accommodation. Statistics show that only around 27% of couples now choose a church or religious building for their wedding ceremony, the lure of an alternative venue in the countryside is becoming increasingly popular.

Events at Kimo Estate are held in the 110-year-old 'Grain Shed' including the value-add of an experienced team who can help plan and enact every element of the event and stay, including weddings and celebrations. The Fergusons work with a number of regional caterers who ensure premium regional produce is on the menu, including lamb, wine and beer. Along with the venue a range of premier accommodation is available for:

- Weddings;
- Overnight stays;
- Glamping;
- Artist retreats; and
- Farm stays.

The property includes a renovated self-contained shearers' quarters, country cottages and newly completed eco huts overlooking the Murrumbidgee River. The eco hut is architecturally designed for protection of the elements while still allowing for the view. For an authentic farm stay experience, the designers used the same materials found around the farm with concrete, solar-powered lights in industrial-looking fittings, reclaimed hardwood, corrugated metal and Australian timber.

Kimo Estate is 10 minutes from Gundagai, 1.5 hours from Canberra and midway between Melbourne and Sydney.

Country Carriage Bed and Breakfast

Country Carriage Bed and Breakfast are a rural retreat, with train carriage accommodation and have operated for twelve years on a fifth-generation family farm, 15 minutes east of Ariah Park. Operator, Rita Bromfield, actively attends tourism marketing workshops, was a participant in the Riverina Regional Tourism mentor program and is a member of the Department of Primary Industries initiative, Visit My Farm.

The bed and breakfast accommodation include the Overlander train which accommodates up to six guests with three separate sleeping compartments, and the City Circle providing spacious accommodation for a couple. Furniture includes a three-quarter slate billiard table and family antiques. Carriages have cooling and heating, DVD library, CDs, magazines, books, board games and guided tours. Rita supplies occupants with a breakfast basket and can organise catering if required.

Most recently they have expanded into a mid-week day trip experience offering visitors a guided tour of train carriages, the pioneer cottage and horse-drawn farming equipment while being served morning tea in the gardens.

Country Carriage captures a variety of tourist target markets by offering a range of promotions throughout the year including:

- School holiday one-night stopover special – Family Tourism/Multi-generational travel;
- Day trips within the region – Farm stays;
- Two-day anniversary packages for couples – Celebration holidays;
- Involvement with Taste Riverina for a broader target market – Food and Wine Tourism;
- Autumn BBQ event – Food and Wine Tourism; and
- Aligning Country Carriages with regional anchor tourism products such as Temora Aviation Museum and Coolamon Cheese.

Summary

Both Kimo Estate and Country Carriage are success stories of broad-acre family farming diversification, creating new sources of income and employment and orientated at both traditional and emerging markets. The businesses utilise social media and tourism booking and review sites such as TripAdvisor, Booking.com, Wotif, wedding directories and Facebook to their best advantage. Most importantly, they do not rely on single markets rather broadening the experience to include a variety of experiences such as celebration holidays, weddings, farm stays, and food and wine tourism. The domestic market isn't the only space supplying tourists with South East Asia and India delegations visiting the region's tourist operators during the last year, as well as International flights direct from Singapore to Canberra.

8. Summary of Findings

Farm diversification and succession planning are important issues to understand as part of the development of a Rural Land Use Strategy for the Cootamundra-Gundagai Regional Council.

They are complex issues and involve a range of stakeholders, decisions and resources. Both are demonstrated to have a direct influence on the sustainability of agriculture and farming in the future.

There is a range of external influences that impact on planning and diversification in the farming sector which in turn are likely to impact on the local community.

These include, but are not limited to, regional industry trends, climate change, carbon farming, technological change and tourism. These add another layer of complexity and have influenced differing economic and social outcomes across Australia.

In responding to these influences Council needs to acknowledge the importance of farming and agriculture in the local area by reinforcing it in Council's strategic thinking and land use planning. This is a significant local and regional issue. The continuing trend is for rural land to continue to be used for established farming enterprises, and there is a recent history of intensification of established enterprises as opposed to diversification away from them. Comparatively high rural land values in the region reflect the relative historical strength of primary production in the region.

There is also a need for ongoing engagement with the farming community to develop a common understanding of the types of responses needed to support the sector.

Non-agricultural diversification opportunities on rural land, such as tourism, are still relatively niche in the region. However, there is growing interest in exploring such opportunities, so accurate information about them should be made available to farmers to support farm business decisions in relation to them.

Farm succession often involves generational change, and younger generations can bring different interests and preferences into farming enterprises. For example, alternative ways of farming through the use of technology or through changing the mix and balance of enterprises may have implications for land use. For these reasons, it may be important to support farm succession planning with information about these implications.

Awareness of the challenges facing farming and agriculture around diversification and succession planning can only assist to improve knowledge and understanding of the social and economic implications of change in that sector.

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Appendix I - Consultation Summary

Questions/Themes

- In your experience, generally what is the current rate of farm diversification in the CGRC region – slow, accelerating, fast?
- What factors do you think are driving the current rate of farm diversification in the region – market forces, productivity, climate, tech (including GM crops), other?
- Thinking about the key agricultural production enterprises in the region - sheep, cattle and annual winter cropping - can you provide any specific examples of farm diversification?
- For any of the farm diversification examples you've provided, are you willing & able to provide contact details so that we can explore further with the farm as a case study to further explore issues?
- In this issues paper, we are also exploring farm succession planning. In your experience, do you know of any recent examples of farm succession planning and the factors that are influencing this? Are you also willing & able to provide contact details for us to follow up as case studies?

Data Capture and Results

- Responses were gathered via telephone interview and recorded in a spreadsheet for further analysis.

Approaches and Responders

Approached	Response received
Geoff Minchin, Riverina LLS, Mixed Farming, Temora	Yes
Janelle Jenkins, Riverina LLS, Mixed Farming, Tumut	Yes
Lisa Castleman, Riverina LLS, Mixed Farming/Cropping, Wagga	Yes
Daniel Brear, Regional Services Manager, South West, NSW Farmers	Yes
District Vets, Wagga	No
NSW Department of Primary Industries	No