Beyond the farm gate: why today's farmers need to think like CEOs

Running a farm involves far more than managing day-to-day agricultural operations. Farmers are also business leaders responsible for financial decisions, governance, risk management and long-term planning.

This article explores why farming families should approach their enterprises with a CEO mindset, ensuring business structures, decision-making responsibilities and succession arrangements support future growth and stability.

It highlights the importance of clear leadership transitions, coordinated professional advice and succession planning that balances the ongoing viability of the farm with the financial security and expectations of the next generation.

Read more in this informative article from our CEO, Merrill MacNish.

INTRODUCTION

At the recent PGA Convention, my colleague Steve Stanbrook of Westside Insurance Specialists made a point that stayed with me: farmers are CEOs.

I wholeheartedly agree.

A farmer can spend the morning making production decisions and the afternoon managing finance, employees, contracts, and the future of the family business. The title may be "farmer", but the responsibilities are those of a chief executive.

The question is: does the business behind the farm reflect that reality?

Farmers already make complex commercial decisions under extraordinary pressure. Thinking like a CEO means giving governance, leadership and continuity the attention they deserve - particularly when the business and the family's financial future are closely connected.

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FROM RUNNING THE FARM TO LEADING THE BUSINESS

As CEO of HHG Legal Group, I know how easily the demands of today can consume the time needed to plan for tomorrow. Clients, staffing, budgets, and unexpected problems all require attention. But my responsibility also includes asking what comes next, where we are exposed and whether the business can operate effectively without relying too heavily on any one person.

Farmers face those same questions alongside seasonal pressures that cannot wait.

When weather, livestock or machinery demand an immediate response, reviewing business structures and succession arrangements can slip down the list. Yet those decisions shape the enterprise's ability to withstand disruption.

Who can commit the business to significant expenditure? Is the current debt manageable? What happens if a key person becomes unavailable in the middle of harvest?

A business can be operationally busy and strategically vulnerable at the same time.

WHEN THE FAMILY TABLE BECOMES THE BOARDROOM

In a family farming enterprise, one person may be an owner, director, trustee, manager, employer, parent and spouse. Others may work in the business without formal ownership or decision-making authority. Some may own assets but have little involvement in daily operations.

These arrangements can work well while everyone agrees. Their weaknesses often emerge when expectations differ or circumstances change.

Consider a hypothetical Wheatbelt family. The parents own some land personally, another property sits in a family trust, and a partnership operates the business. Their eldest child has worked on the farm for ten years. A second child has built a career in Perth.

Everyone assumes the eldest will eventually "take over".

But what does that mean? Ownership of the land? Control of the business? Responsibility for the debt? When will it happen, how will the parents fund retirement and what provision will be made for the other child?

A shared assumption is not a succession plan.

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The family needs clarity about ownership, authority and expectations - even if its meetings continue around the kitchen table.

STRUCTURE SHOULD SERVE THE BUSINESS

Farming structures often evolve over decades. Land is purchased in different names, a trust is established and a company or partnership is added as the enterprise grows.

Each decision may have made sense at the time. The important question is whether those arrangements still serve the business and the family today.

The right structure should support commercial objectives, clarify control and allow for future change. Complexity alone offers no assurance of protection.

Before changing ownership or operating arrangements, the legal, tax and financial consequences need to be considered together. A decision that solves one problem can create another if advisers are working in isolation.

SUCCESSION IS ALSO A LEADERSHIP TRANSITION

Succession involves more than transferring land. It also means transferring knowledge, relationships, responsibility and authority.

A family member may inherit assets without being prepared to lead the enterprise. Equally, someone may spend years carrying substantial responsibility without certainty about their future ownership or financial position.

A workable plan addresses several distinct questions:

- Who will own the assets?
- Who will operate and lead the business?
- When will authority and responsibility transfer?
- How will the retiring generation maintain financial security?
- How will family members outside the business be treated fairly?

Fairness does not always mean identical assets. It does require clear conversations about objectives, practical constraints and the consequences of the proposed arrangements.

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Succession and estate planning also need to work together. A will alone cannot address every issue involving retirement, incapacity, business control or assets held through different structures.

The next generation needs a clear pathway, and the retiring generation needs a secure future.

BUILD AN ADVISORY TEAM AROUND ONE PLAN

Many corporate CEOs have management teams and specialist resources around them. Family farmers often carry comparable responsibilities with far less internal support.

That makes coordinated external advice particularly valuable.

Lawyers, accountants, financial advisers, bankers, insurance specialists and agricultural advisers each bring a different perspective. Their advice needs to reflect the same commercial and family objectives.

A succession proposal must make sense legally, financially and operationally. Retirement arrangements need to be affordable. Insurance should be reviewed against the enterprise's risks and circumstances. The farming operation must remain viable through the transition.

The value lies in having advisers who understand how their recommendations fit together.

FIVE QUESTIONS WORTH TAKING BACK TO THE KITCHEN TABLE

A useful starting point is to ask:

- Do we know who owns, controls and manages each part of the enterprise?
- Are important agreements and decision-making authorities documented?
- Could the business continue if a key person became unavailable?
- Do our succession, retirement and estate plans work together?
- Are our advisers working from the same plan?

Farmers spend their lives managing uncertainty. Clear authority, suitable structures and deliberate planning can reduce the uncertainty within their own businesses.

You may never put "CEO" on your business card. But the farm - and the family whose future depends on it - deserves that level of leadership. I extend an invitation to speak with the experienced team at HHG for all your farming succession needs.

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