
Farmer Retirement: An Elusive Concept?

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It is something that those who work with farmers hear frequently: “I’ll never retire!” or “I do have a retirement plan; to die in the tractor!”. While those statements may seem humorous on the surface, they give insight to a deep-seated issue among farmers. Many farmers are simply disinclined to retire. In a recent survey (1) of farmers in the North Central Region (NCR) of the United States, only 37% of farmers were mentally ready to retire. That leaves 63% of farmers who are not mentally prepared to retire from the farm.

Even though Baby Boomer business owners are retiring in record numbers, farmers and farm households are not prepared for succession. The average age of the American farmer as of 2017 was 57.5 years of age (2). According to research, farmers and other entrepreneurs are working past pension age (3). It does not seem to be the strategic and financial tasks that are difficult to pass to the next generation; it is the social capital related to farming in one’s community that comes as the largest loss (3).

Ideally, farmers will spend time planning early and often to pass the farm to the next generation (both management and ownership). It is imperative that all generations reach consensus in regard to expectations, business goals, everyone’s role in the farm, and a timeline for the succession process. Without reaching a consensus (or close to one), the succession process will undoubtedly be more costly and timely than expected.

The 2023 Farm Succession Survey did find an inverted relationship between farmer age and the number of years until they expect to retire, which is encouraging. However, of those farmers who answered they would “never” retire, their average age was 35 years. Furthermore, those farmers who predicted 1-5 years until retirement were, on average, already of retirement age (63.74 years).

Farmers must grapple with both mental and financial readiness to let go of the family farm to the next generation. The data (1) showed that of farmers surveyed in the NCR, there were 37.3% who were mentally ready to exit the business and 54.2% were financially ready to exit the business. Measuring overlap, 36.8% of farmers were both financially and mentally ready to exit the business (presumably retire). One fact that stands out among this data is that financial readiness is leading mental readiness. There is an emotional component of the family farm that makes exiting the business more difficult than from other businesses. The legacy of the farm along with the community and family ties make this exit difficult, and thus delayed.

So, what can farmers do to better prepare for retirement?

- Plan early.
- Plan often.
- Communicate with all generations in the farm.
- Strive for consensus and “getting everyone on the same page.”
- Make firm plans but revisit and adjust as needed.

If you are looking for a resource to help start talking about succession in your farm business, check out “The Farm’s Legacy: A Guidebook for Intra-Family Succession”, available for free downloading and printing here: https://edustore.purdue.edu/item.asp?Item_Number=EC-817-W.

References:

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2. National Agricultural Statistics Service, 2017.
3. Contzen, S., Zbinden, K., Neuenschwander, C., and Métrailler, M. (2016). Retirement as a Discrete Life-State of Farming Men and Women Biography? *Sociologia Ruralis*, 57 (S1). <https://onlinelibrary.wiley.com/doi/10.1111/soru.12154>

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PIFB provides multi-generational family businesses with research-based business management resources aimed at improving personal leadership performance and driving operational growth. Our ambition is to prepare family business owners, managers, and stakeholders (including non-owner spouses and future owners) to be effective stewards of their family enterprises.

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