



Handing down the farm? The increasing uncertainty of irrigated farm succession in Australia

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A B S T R A C T

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Farming is still primarily a family concern in Australia. Having a farm successor in place is important as it is associated with the likelihood of the current farmer adapting to external conditions and hence may have long-term implications for the structure and profitability of agriculture. We used current and historical surveys across a number of irrigation districts in the southern Murray-Darling Basin to study the changing nature of farm succession. Irrigation farms with (and without) a named successor have decreased over time, while uncertainty about succession has increased rapidly. There was strong evidence that the identification of a successor is positively associated with the current and future management of farms. Those with no successor in place are more likely to go into a period of stagnation (such as selling land, not adopting efficient irrigation infrastructure and not increasing irrigated area). One key finding is that increasing uncertainty about succession among irrigated farmers in recent years has been influenced by issues surrounding water security in the Murray-Darling Basin.

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1. Introduction

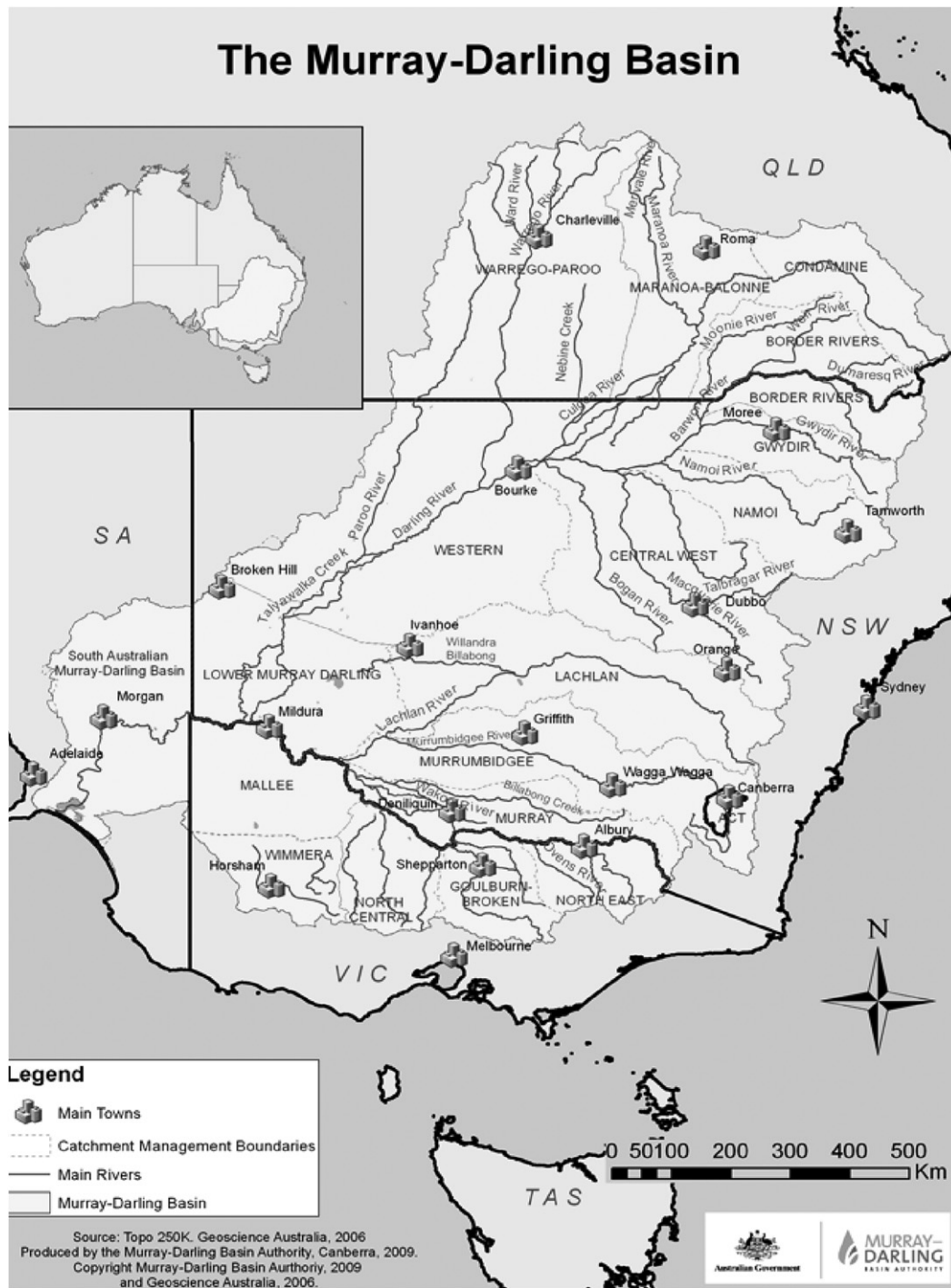
Agriculture is an inherently uncertain enterprise. Recent decades have seen the emergence of a new set of challenges for the agricultural sector. In the Australian context, climatic conditions have had a dramatic impact. An intense and prolonged drought resulted in water allocations in many irrigation areas in the Murray-Darling Basin (MDB) (Fig. 1) being substantially reduced and areas usually somewhat insulated against rainfall variation experiencing significant downturns in production (MDBA, 2010). The experiences from this drought raised a number of profound questions about the long-term viability of many forms of agricultural production and about the continuation of agriculture in some geographical areas. It also resulted in unprecedented water reform being introduced in the MDB, with large-scale programs put in place to try and achieve a sustainable balance of water allocation between the environment and consumptive use (Grafton, 2010; MDBA, 2010). These reforms are significant since the MDB is frequently described as Australia's 'food-bowl' because of the prominent place it occupies in agricultural production (MDBA, 2010).

In spite of the economic power of agribusiness, most agricultural enterprises in Australia are still family farm businesses and hence it remains important to understand the interactions between farm family dynamics and performance. Farm succession is important in this context because it plays a significant role in the long-term viability of individual farms. In particular irrigation industries in the MDB have had to withstand severe water shortages, drought and considerable policy change over the past decade. This paper investigates the consequence of such changes for the intergenerational transfer of family farms in the MDB, and whether any trends or changes in succession plans over the past decade can be identified.

Long-term pressures that have transformed the face of farming include the rise of a globalised economic order and neo-liberal trade conditions, and the decline in terms of trade. This has resulted in an increasing pressure on farmers to make their enterprises more productive (Barr, 2009). In general, many farmers have responded by seeking to increase their farm size, and capture economies of scale. As a consequence, the trend in most nations is toward fewer farms of bigger size (Gasson and Errington, 1993; Mishra and El-Osta, 2007; Barr, 2009).

Notwithstanding these important structural changes in the agricultural sector, farming is still primarily a family concern in Australia and many other parts of the western world. In 2001, 91% of farms were operated as a family business (ABS, 2003), by 2006 this had decreased to 82% (Barclay et al., 2011). Increasing farm size

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Fig. 1. Murray-Darling Basin in Australia.

and a decline in family farms raises the issue of farm succession. Farm succession is defined as the process by which the ownership, income-earning capacity and management of the family business is transferred to the next operator, typically the next generation (Gasson and Errington, 1993). Succession is frequently a complex, if not fraught, process which can take many years to complete (Pitts

et al., 2009; Taylor et al., 1998; Keating, 1996), often with unpredictable outcomes (Calus et al., 2008). Succession itself can give rise to deep-seated and prolonged family conflict. This can result in the fragmentation of the farm and in families leaving rural communities (McAllister and Geno, 2004; Barclay et al., 2011). The uncertainties of farm succession are evident in the finding that

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