

Summary - Case Study 5: Kappa Family

Business continuing

“If we hadn’t had a succession plan the farm would have been sold”.

Without a succession plan the farm would have been sold. Who would invest in a business with no future?

With equity hovering around the mid 60’s, and the older generation having progressively less energy, something had to give. The 2000 – 2010 drought had a negative impact, both financially and mentally on the people. The bank was getting nervous.

Rob and Diana Kappa had a further challenge. Rob wanted to ensure that the farm remained viable, but Diana was determined that the eventual distribution of assets to their two children would be fair. In Diana’s terms, fair meant very close to equal. The eventual split between the two children will be 60/40 and the family has agreed that this is fair.

The introduction of the possibility of a succession plan triggered the imagination of the next generation. Returning home became a viable option. The succession planning process took about seven years. It was managed by a facilitator with input from the bank, the accountant and from a business advisor.

The three overall aims of the Kappa family, funds to enable retirement, a viable farm and happy non farming children, are similar to the aims of most farming families.

Although the debt for their farming son will be high, it is manageable. Rob and Diana will be able to retire and their daughter is accepting of the result.

The lessons from the Kappa family are:

1. Without a succession plan, the next generation would not invest time in the business.
2. With the broad plan in mind, land was given to the next generation to allow borrowing to start paying out a sibling.
3. Ensuring that a suitable house is provided for the exiting generation was essential.
4. The farm had been falling behind in terms of productivity, and the entry of a new generation created a huge amount of energy.
5. Without succession in mind they would not have increased productivity.
6. The plan evolved over a seven year period.