

A Cautionary Tale For Farm Succession Planning: *Metske v Metske*, 2025 ONCA 418



The Court of Appeal for Ontario's recent decision in *Metske v Metske* provides an important lesson to farming families and their professional advisors: good intentions and family loyalty, while laudable, are no substitute for clear, enforceable agreements. The decision narrows the scope of proprietary estoppel in the agricultural context and underlines the commercial reality that a succession plan must be both documented and financially achievable.

Factual Background

Martin and Roseanne Metske owned a mixed farming enterprise centred on a 152-acre "home farm" with an associated dairy quota. Their son, Tim, had worked on a different parcel from 2003 to 2011. During those years Martin occasionally told Tim that "the farm will be yours one day," but no terms were ever reduced to writing. After a family falling-out in 2011, Tim left the farm and took employment elsewhere.

In early 2012, Martin and Roseanne decided to sell their dairy herd and quota and invited Tim and his partner, Amanda, to discuss a possible "staged" take-over. The parties held an informal family meeting, attended by Tim's uncle (who had some succession-planning experience), and discussed a broad outline as follows:

- Tim and Amanda would immediately purchase the dairy herd for approximately \$90,000, funded by a bank loan co-signed by Martin;
- They would lease the barn, dairy quota, and farmhouse while they established cash flow;
- After about a year, they would acquire the dairy quota at fair market value; and
- After roughly five years, they would purchase the land at fair market value.

Although Martin twice mentioned a potential combined price of \$2 million for the land and quota, no purchase price, payment terms, or financing guarantees were settled. Even the notion of what property or properties would ultimately change hands remained “hazy.” Nevertheless, Tim and Amanda resigned their jobs, moved into a house on one of the farm properties, and began operating the dairy farm.

Over the next six years, relations deteriorated. Disputes arose over repair costs, and Martin became increasingly critical of Tim and Amanda’s husbandry of the herd. Attempts to secure financing for the dairy quota in 2013 failed when the bank insisted on a 10-year amortization which the projected cashflow could not support. From 2013 onward, the parties ceased meaningful succession discussions. In April 2018, Roseanne demanded that Tim and Amanda vacate the property by the end of May. Forced off the land and without the dairy quota, Tim and Amanda disposed of their herd at a loss and brought an action claiming proprietary estoppel, unjust enrichment, and other relief.

The Trial Decision

The trial judge dismissed most of the unjust enrichment claim but, regarding proprietary estoppel, found that Martin and Roseanne had assured Tim and Amanda that “Martin Metske’s dairy barn” and associated land would ultimately be transferred on “favourable but undefined” terms, that the

younger couple had relied on that assurance to their detriment by devoting six years of labour and capital to the dairy farming operation, and that fairness required compensatory relief.

Because the essential terms of any transfer were uncertain and Tim and Amanda lacked the means to complete a purchase, the judge concluded that a conveyance was impracticable. Instead, he awarded Tim and Amanda \$405,000 representing foregone earnings elsewhere, damages for the forced-sale loss on the herd, and for improvements to the property, less minor set-offs.

The Court of Appeal's Analysis

The Court of Appeal allowed the appeal on the proprietary estoppel question and reduced total damages awarded to \$31,700 – the amount representing uncontroverted benefits Martin and Roseanne received from specific improvements to the property (a furnace and repairs). The Court of Appeal's reasoning offers three noteworthy themes.

1. No Clear and Unambiguous Assurance

Proprietary estoppel requires a representation “intended to be taken seriously.” The Court of Appeal held that the parties’ conversations never crystallized into a commitment; at most they expressed a willingness to negotiate future succession when circumstances allowed. Essential elements – price, financing arrangements, timing, and land description – were undecided. An “agreement to agree” is inherently inchoate and insufficient to ground an estoppel.

2. Absence of Donative Intent

The trial judge had inferred a “donative intent” from the family farming culture, past generosity, and Roseanne’s wedding speech. The Court of Appeal rejected this as palpable error. Every contemporaneous statement and the business plan prepared for the bank contemplated

acquisition at fair market value. Concessions such as reduced dairy quota rent or co-signing a loan reflected parental support; not an intention to make a gift or to confer favourable terms beyond market valuation.

3. Unreasonable Reliance and No Detriment Tied to an Enforceable Promise

Even if Tim and Amanda subjectively expected to own the farm, the Court found that reliance became objectively unreasonable once they knew they could not finance a purchase at fair market value and the relationship had soured. Proprietary estoppel protects against the unfairness of a promisor resiling from a promise, not against the commercial risk of an aspirant purchaser who cannot perform.

As no estoppel arose, the Court revisited the unjust enrichment and equitable set-off analysis. It accepted the trial judge's ruling that Martin and Roseanne's decision to sell their dairy quota separately was a legitimate exercise of autonomy, not a maneuver to avoid liability, and that any increase in the farm's paper value was neither "readily realizable" nor attributable to Tim and Amanda's efforts. The only incontrovertible benefits were the tangible improvements of \$33,700, offset by \$2,000 damages for harm to the farmhouse.

Significance for Farm Corporation Transition Planning

Although *Metske* arose in the context of an unincorporated family farm, its lessons are acute for corporate farm succession.

A. Document the Journey, Not Just the Destination

Succession often unfolds over years; incremental steps – share sales, quota leases, vendor-take-back loans – need to be minuted and cross-referenced to a future transfer agreement. A

detailed memorandum of understanding, preferably with independent legal advice, can bridge the gap between informal family discussions and a binding purchase and sale agreement.

B. Beware the “Agreement to Agree”

The Court of Appeal’s insistence on specificity underscores that an outline without price, payment schedule, or mechanism for valuation leaves successors vulnerable. In a corporate context, shareholder agreements should incorporate buy-sell clauses or “shot-gun” provisions that supply machinery for determining price and funding, and limit reliance on familial goodwill.

C. Substantiate Donative Elements

If parents genuinely intend to confer favourable terms – for instance, a bargain-sale price or a staggered payment schedule conditional on farm profits – these must be explicit. Directors’ resolutions, promissory notes, or side agreements can evidence the intention and guard against later disputes.

D. Align Financing with the Plan

Tim and Amanda’s inability to secure lending doomed the contemplated succession. Farming corporations should integrate lenders early, confirm serviceability tests and, where necessary, structure staged share redemptions or preferred-share issuances that match cash generation to repayment obligations.

E. Separate Tenancy and Equity Arrangements

Conflating a tenancy (renting land, quota, or equipment) with an equity transition breeds confusion. Distinct agreements, each stipulating duration, rent, and termination rights, help ensure that if equity negotiations falter, the occupational arrangement can be unwound without precipitating litigation.

F. Expect Judicial Reluctance to Impose Forced Sales

The Court of Appeal reaffirmed that proprietary estoppel is a remedial protection; not a conveyancing vehicle in disguise. Judges will hesitate to impose a sale where terms are vague or financing uncertain. Damages – and modest ones at that – will often be the only recourse.

Concluding Observations

Metske illustrates that informal assurances, however heartfelt, do not create property rights absent clarity, consideration, and financial feasibility. For advisors, *Metske* elevates the importance of contemporaneous documentation and structured succession instruments. For farming families, it signals that a well-intended but loosely framed transition plan can unravel, leaving years of toil uncompensated. Embedding succession within robust corporate and contractual frameworks is therefore not a bureaucratic burden but an essential safeguard for intergenerational continuity.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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