

National Future Farmer Network

FRAQ recommendations for the sustainability of agriculture in Canada September 2010

Within the framework of the National Future Farmer Network launched by Minister Blackburn, the *Fédération de la relève agricole du Québec* wishes to submit its clear and global vision of the issue, as well as some ideas on potential solutions.

Our experience regarding Quebec's progress on farm succession and establishment, coupled with some meager Canadian statistics, indicates to us that generation replacement is currently one of the major challenges for agriculture in Canada. In 2008, on 53 percent of Canadian farms, the age of the agricultural producer was 55 years old or more, with 79 percent of these with no foreseeable succeeding generation.¹ What will happen to these farms following the imminent retirement of these producers?

Furthermore, the number of farm operators under 35 years old has gone from 40,000 in 2001 to 30,000 in 2006.²

In fact, while the number of young farmers is decreasing, a large number of the current farmers will soon leave the profession. Thus, there is an urgent need to act now!

The FRAQ proposes four key lines of intervention:

- 1. Understand: the state of the present situation**
- 2. Communicate: working together**
- 3. Facilitate farm succession and transfer**
- 4. Support the retiring farmer**

Based on its knowledge of the current Quebec situation, the FRAQ has submitted recommendations regarding each of these strategic lines of intervention, which should form the basis of the National Future Farmer Network.

The FRAQ is the sole authorized voice of young farmers in Quebec. It has 1800 members, within 14 affiliated syndicates spread over the whole province. For the past 28 years, its mission has been to bring together young farmers with a passion for agriculture and to defend their interests, improve the conditions for farm succession and establishment and to attract youth into agriculture, as well as to work toward better information and improving the preparation of the up-coming generation.

¹ Reference: Statistics Canada, Financial survey of farms, 2008

² Reference: Statistics Canada, Agricultural Census, revised 2008

1. UNDERSTAND: the state of the present situation

FINDINGS

- The first blatant finding is the scarcity of factual and statistical information: it is crucial to fully understand the issue before proceeding to problem solving. Canada is lacking information on young and beginning farmers:
 - Existing young farmers: age, gender, level of education, production sectors, parents in agriculture or not, full-time or part time, new start-up or farm transfer;
 - Potential young farmers: existing limitations and agricultural education achievement rate;
 - Retiring farmer: intentions of farmers as they near retirement, transfer method, transfer planning, limiting factors regarding the farm transfer and the financial situation.
- In Quebec also, there is presently no way to know about the retirement preparations of the retiring farmers or whether or not they have a successor. Without this crucial information, it is impossible to match farms without a successor against young farmers without a farm.

RECOMMENDATIONS

- Compile a complete picture of young and beginning farmers in Canada, through a comprehensive national survey;
- Add specific questions to the Canadian Agricultural Census on the intentions of farmers regarding succession.

2. COMMUNICATE: working together

FINDINGS

In Quebec, we have seen that the success in the introduction of a Young Farmer Policy was due to the cooperation between all stakeholders, and in particular, the young farmers' representatives. Recently, a monitoring committee, composed of these same stakeholders, has continued to follow the progress of the file, establishing common objectives and ensuring that everyone is pulling in the same direction.

Understanding and communicating are the key elements in making the right decisions and in finding mutual and decisive answers to the identified problems. By legitimizing and recognizing the young and beginning farmers as full-fledged stakeholders, it should be easier to instill a "youth reflex" in decision-makers, who will then consider young farmers as a compulsory player group, to the benefit of the National Future Farmers Network.

RECOMMENDATIONS

- Creation of a Young Farmers Round Table composed of representatives from all parties involved in this issue;
- An awareness campaign within the agricultural community regarding the generation replacement problems and the inclusion of young farmers as full-fledged players.

3. FACILITATE farm succession and transfer

FINDINGS

- Difficulty in acquiring farm property and production assets: the cost of farm assets has become prohibitive for youth wishing to establish themselves. In 2008, the average figure in Canada had reached nearly \$1.6 million per farm.³ Furthermore, this figure has continued to climb over the past several years (see Appendix, Graph 1). In particular, the purchase of farmland and production quota represents the biggest hurdle during the start-up or transfer of a farm enterprise. If we can go by the Quebec example, although a ceiling was placed on the price of dairy quota, the total cost of acquiring a farm operation has continued to rise (see Appendix, Graphs 2 and 3).
- What has happened to the appeal of farming as a profession? Based on the evolution of the number of farmers under 35 years old in Canada (40,000 in 2001 – 30,000 in 2006), the new generation of farmers is decreasing. The difficulty in acquiring the necessary production assets is a major constraint; the image and prospects for the future, as seen by the agricultural community itself, and society in general, is another limitation, although difficult to quantify.
- If young farmers finally succeed in establishing themselves in agriculture, they must still be able to make their living and operate their farms in a sustainable manner. The management capabilities and entrepreneurial skills of producers are directly related to their level of academic education and to their propensity for continuing education and training. Although the educational level of agricultural producers has progressed in the right direction, it is legitimate to review the minimum skills and abilities necessary in order to face the multitude of challenges in today's agriculture – particularly for young farmers who find themselves at the head of a business, some of which may be worth close to two million dollars.

RECOMMENDATIONS

- Creation of specific support program for young and beginning farmers (both general and by production), to allow young farmers to more easily acquire certain production assets (quota, buildings, farmland);
- The promotion of agriculture as a profession;
- Increased awareness of the need for education, at the parent as well as the youth level, along with the introduction of incentives (linked to the support programs);
- A re-evaluation of the minimum abilities required, as related to agricultural education and training.

³ Financial survey of farms, Statistics Canada, 2008

4. SUPPORT for the retiring farmer

The situation of the retiring farmer, as well as the factors that influence a smooth farm transfer are even less documented, even in Quebec. Nonetheless, generation replacement in agriculture involves two parties - the young farmer and the retiring farmer.

FINDINGS

- There is a significant difference between the market value of farm assets and their immediate economic value. Indeed, it is much more lucrative to dismantle a farm rather than transfer it. On the average, a farm in Quebec will transfer at about 40 to 50 percent of its market value, depending on the production sector, in order to adjust to the new farmer's capacity to pay and debtload capacity. Thus, the retiring farmer has to make a monetary donation at the time of the farm transfer – money that he cannot count on for his or her retirement.
- Because of all these considerations, a farm transfer must be planned well in advance. However, in many cases, it is only when retirement is imminent that the transfer process is thought of. It is a well-known fact that in Quebec, farmers save less for their retirement than other categories of workers. Indeed, they are among the lowest users of Registered Retirement Saving Plans (RRSPs). In 2004, over two-thirds of farmers had no RRSP savings whatsoever. Thus, retiring farmers are particularly dependant on the sale of their assets upon retirement.
- Furthermore, it is apparent that the importance of the human and relational aspects are often overlooked: diverging visions and opinions between the beginning farmer and the retiring farmer, mistrust, difficult communications, difficulty in sharing responsibilities and a negative image of the agricultural profession, as projected by the retiring farmer.

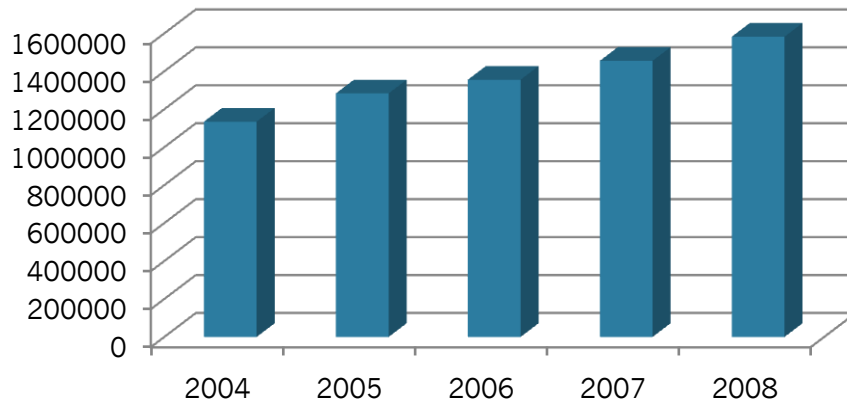
RECOMMENDATIONS

- Incentives to transfer rather than dismantle the farm – for example: when selling a farm, varying the amount of the capital gain exemption for transferring versus dismantling the farm.
- Increased awareness regarding the importance of properly preparing for a farm transfer.
- Support for the retiring farmer in planning his or her retirement and the transfer of the farm enterprise.

APPENDIX

Graph 1

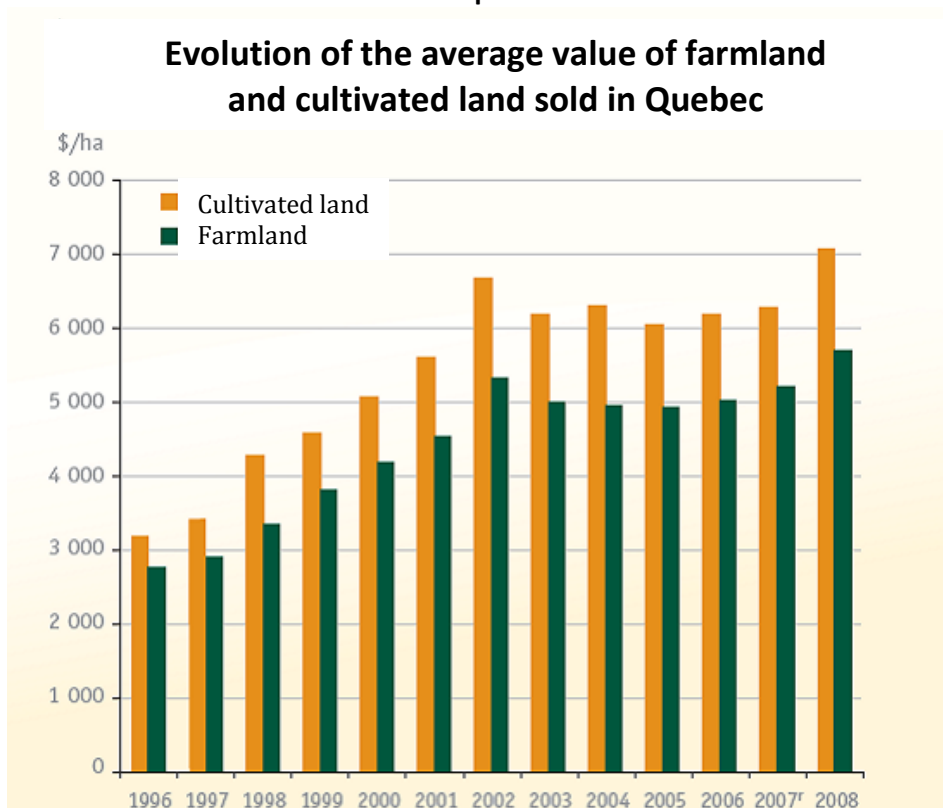
Average transferable assets (\$) on Canadian farms



Reference: Financial survey of farms, Statistics Canada, 2008

Graph 2

Evolution of the average value of farmland and cultivated land sold in Quebec

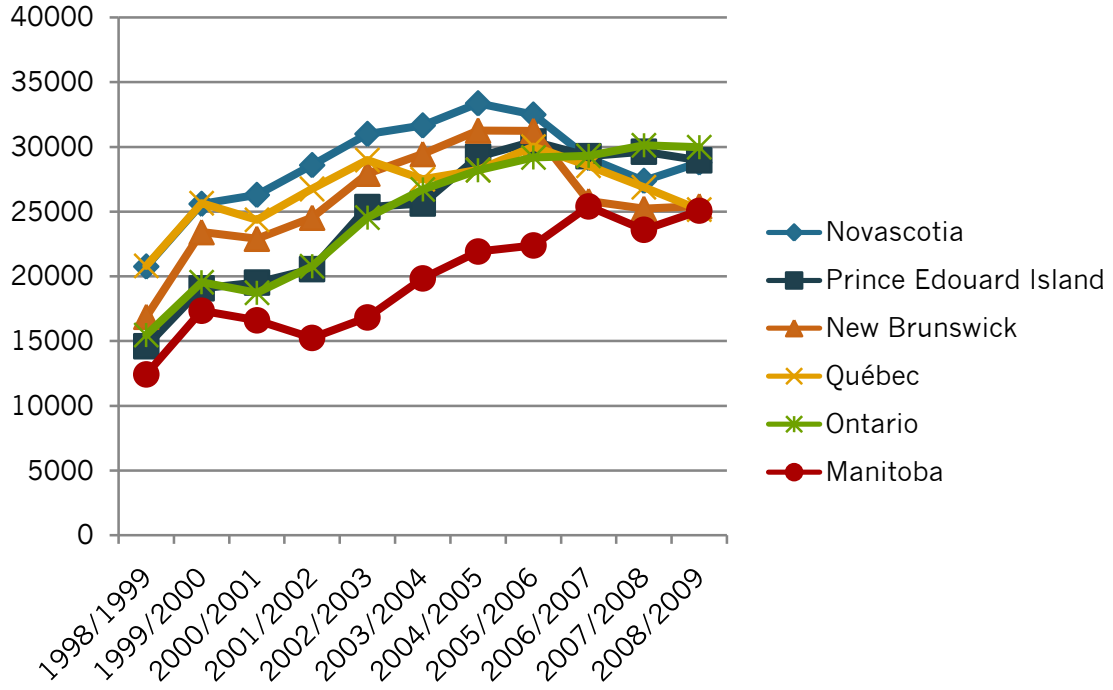


Revised data

Reference: La Financière agricole du Québec, compiled by AGECO Group

Graph 3

Evolution of dairy quota prices ((\$/kg M.F./day)



Reference: Fédération des producteurs de lait du Québec, Compiled by AGECO Group, 2009