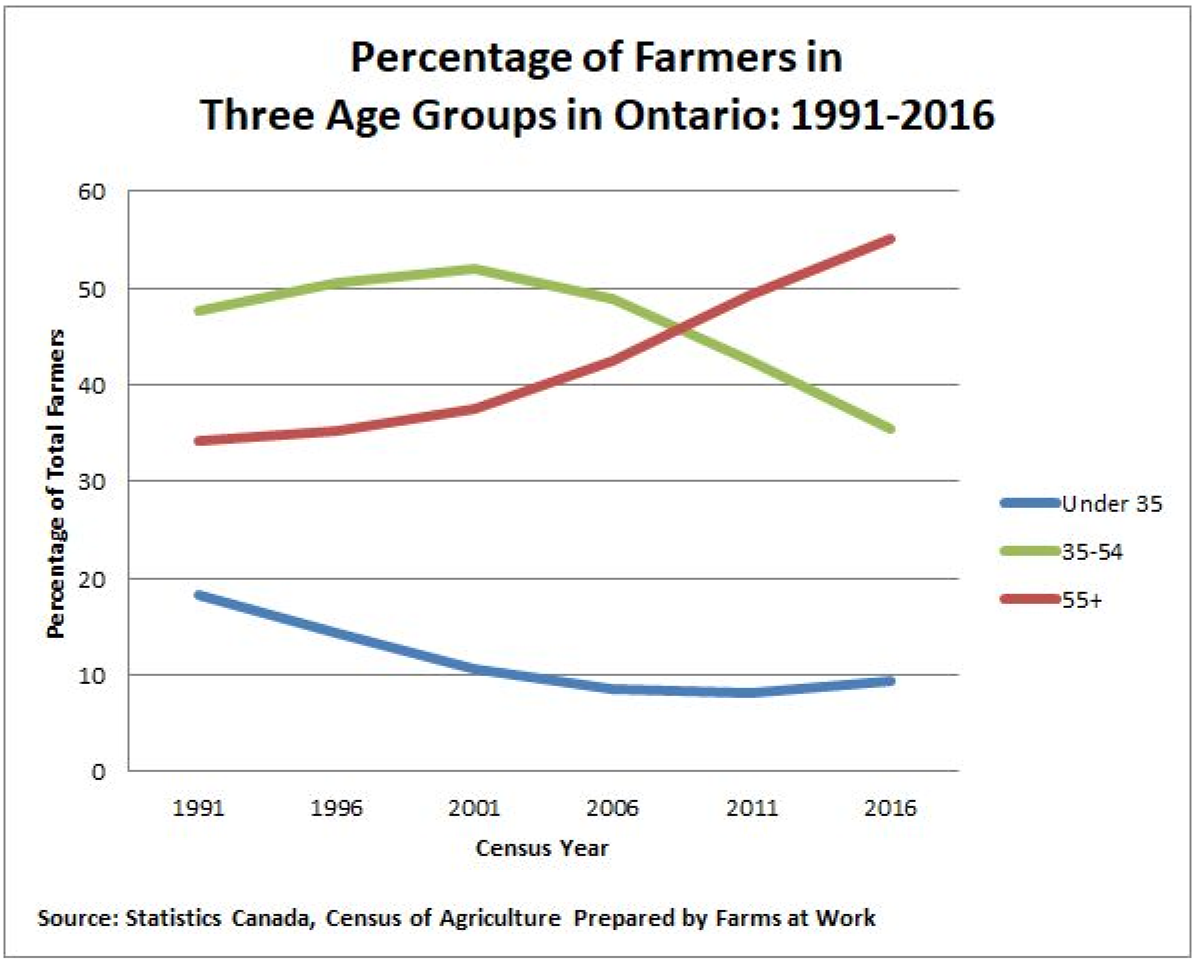
Policy Area 2 - New and Young Farmers

Introduction

Agricultural entrepreneurship remains the largest source of self-employment in rural/small-town Canada (Statistics Canada, 2015). However, long term out-migration from farms has eroded the population of farmers in Ontario by 30% between 1991 and 2016, and farmers under 35 dropped by a staggering 64% over the same period.

The percentage of farmers in each of the three age groups identified in the Census of Agriculture illustrates the decline of both younger age groups in favour of farmers over 55 years of age (Graph 1 below). While the number of farmers in the youngest age group rose by a small percentage in the last Census of Agriculture (2016), strong intervention would be required to stem continued loss of farmers through the next 25 years.



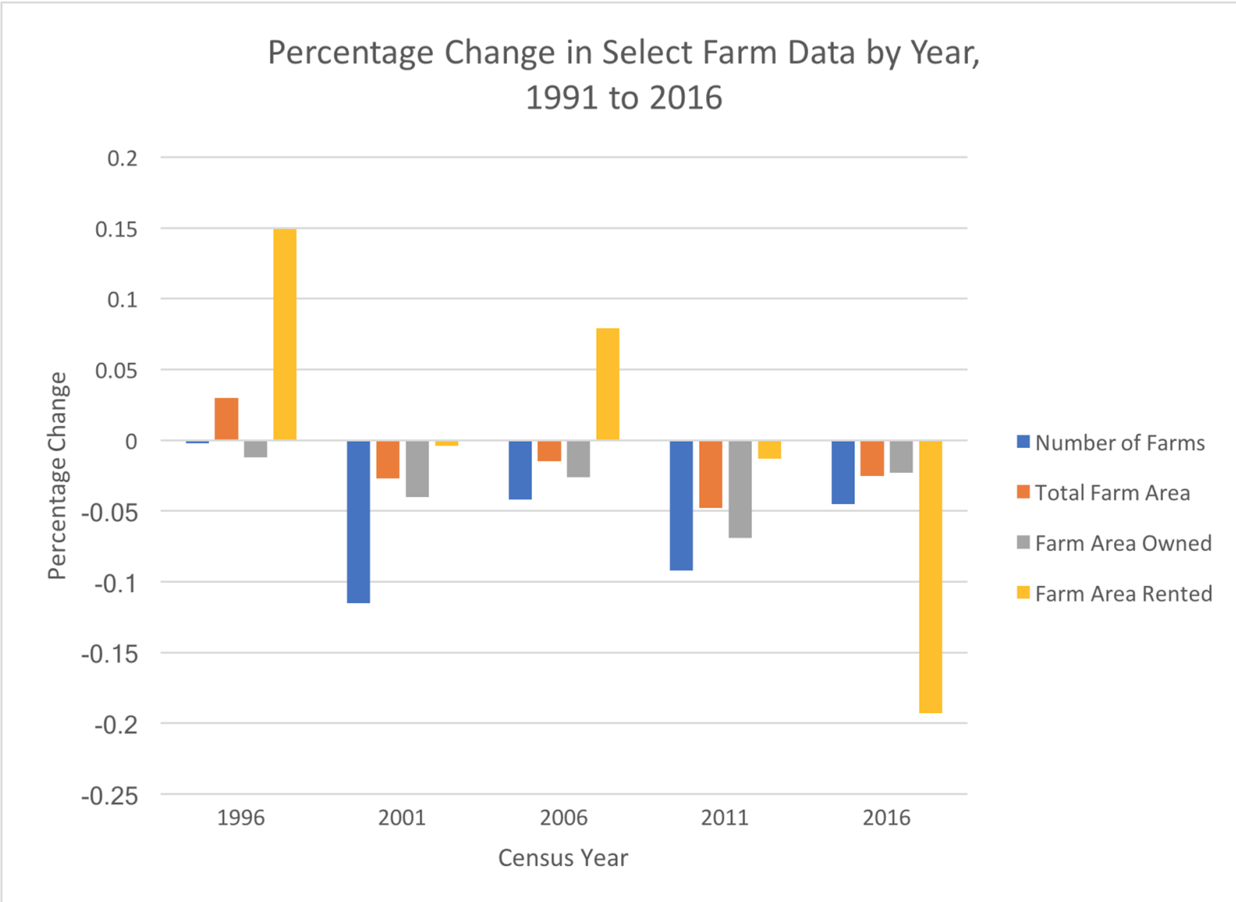
Along with ongoing attrition in the farming population, the total amount of land on farms in Ontario also decreased by 11.5% from 1986 to 2016. The amount of land actively in use for crops and pasture has decreased by 8.9% over the same period (over a million acres).

The reduction of land in production is a disturbing indicator. The figure below documents changes in the number of farms, total farm area, farm area owned and farm area rented between 1991 and 2016 and demonstrates significant decline over this period.

A primary driver in these trends is the increasing challenge of farm business viability. For example, in Peterborough County, more than 92,000 acres have gone out of production over 40 years. Urban development has accounted for less than 4,000 of those acres, and farmers agree that the primary cause of farmer and farmland attrition has been lack of economic viability (Sustainable Peterborough, 2014).

Supply management has protected some Ontario agricultural sectors (namely dairy, chicken, turkey and eggs), and continues to be an important policy tool that has benefitted Ontarians. However, the market-based price of quota is now a barrier to succession on supply-managed farms, even within families, let alone for new entrants to farming.

Where land is no longer being farmed for economic reasons, it is still technically available for farming in the future. However, across southern Ontario, urban development pressures are also a significant threat to farmland. As demonstrated in Table 1, Caldwell and Epp (2017) have tracked official plan amendments between 2000 and 2014 that converted prime agricultural land to non-farm land uses. To date, data has been collected for nine counties and regions in southern Ontario, resulting in a total conversion of over 22,000 hectares (54,000 acres) of prime agricultural land. While this loss reflects approved planning decisions, delays between planning approvals and actual development often occur and some of this land is still being actively farmed. It is important to understand that these parcels of farmland have been approved for other land uses and the farm can cease in operation at anytime. Often, the change of land use is not publicly recognized until the bulldozer hits the ground, which could be decades after the planning decision was made.



Ontario prides itself on the quality and safety of the food it produces, as well as the employment standards it upholds, but these come at a cost. The costs are borne by farmers, who then compete with cheaper imports when selling their farm products. Their margins of profit are squeezed as competition to produce cheap food persists, and consumers are led to believe that food is too expensive, a perception fuelled by large retailers. The true costs of production should be reflected in the cost of food, so that farms can be profitable.

In truth, safe and nutritious food is incompatible with a global "race to the bottom" that seeks to produce the cheapest food possible for the market. Food is a necessity to life and key to good health. It is not just another consumer good in the global marketplace. Poverty, a serious problem that limits access to good food for many, is a challenge that cannot and should not be solved by reducing farm viability.

Increasing awareness of the real challenges for farm viability, the impact of farm loss on rural economies, as well as the growing consumer "eat local" movement, are early indicators that opportunities exist for creative new farm businesses to thrive with the right support. New entrants of all ages have begun to investigate and pursue farming; however, in Ontario, they have been met with a policy vacuum that does not comprehensively address their needs.

Table 1: Approved official plan amendments by county and region between 2000-2014 re-designated to prime agricultural land to non-farm land uses (Caldwell and Epp, 2017)

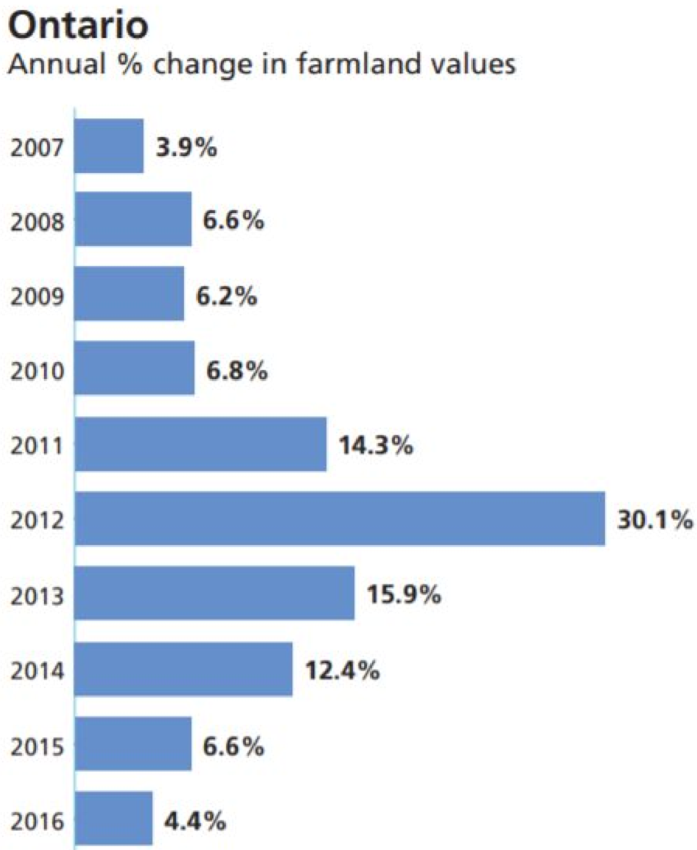
County/Region	Number of Approved Official Plan Amendments	Hectares Converted
Brant	**4**	**47**
Durham	**5**	**1,797**
Halton	**12**	**2,943**
Niagara	**42**	**2,035**
Peel	**4**	**3,401**
Simcoe	**47**	**2,344**
Waterloo	**9**	**1,488**
Wellington	**27**	**898**
York	**16**	**6,988**

Challenges

There are three significant challenges that impede the success of new and young farmers: access to land, business financing tools, and knowledge or training. Each of these challenges will be discussed and policy recommendations will be made.

1) Access to Farmland

There is no lack of farmland available in Ontario; however, purchasing a farm has become increasingly difficult for new farmers, unless they have access to significant amounts of capital. The price of farmland has been on the rise across the province, especially in recent years, as shown in the Farm Credit Canada table below (Farm Credit Canada, 2017).



Source: 2016 FCC Farmland Values Report

It is important to note that land values vary re significantly, due to a range of factors - including development potential, proximity to markets, soil and topography, as well as climatic factors. However, farmland, at current prices in many parts of the province, can no longer be realistically built into the cost of production of farm products. This makes buying a first farm, plus any capital infrastructure needed to operate a new business, very challenging compared to the capital cost of beginning other entrepreneurial businesses. While new entrants coming to farming as a second career may have savings that enable them to purchase a farm, young people seldom do.

Research by Lobley, Baker and Whitehead (2010) has demonstrated that in Ontario and Quebec, the sale of a farm often funds a farmer's retirement – especially if the farm business has not been profitable enough to build savings of other kinds.This creates a difficult situation, even for farmers who would like to support a new generation in their industry.

It is important to note that the success of the farm industry should not be dependent on intergenerational succession, as new entrants can reinvigorate stagnant industries (Chiswell, 2014). For farmers not prepared to fully retire or sell their land, partnership arrangements with young or new farmers can benefit both parties (Duesberg, Bogue and Renwick, 2017; Cush and Macken-Walsh, 2016). As such, farm succession plans should consider new entrants and work to establish these relationships when a family successor is not easily identified.ates of planned succession in Ontario are quite low, with only 8.5% of all farms having a written plan (Statistics Canada, 2017b). Succession plans to non-family members account for only 4 % or 163 of those plans.

Even in circumstances where the next generation of farmers is within the family, planning for retirement is often approached late, leading to continued financial dependence on the farm and an unwillingness to transfer ownership (Lobley, Baker and Whitehead, 2010). Unexpected illness or death of a parent can result in loss of the farm if no plan is in place. Early planning for succession of land can ease transition for all parties. In Canada, with the exception of preparedness, there are no significant benefits for a farmer to transfer ownership early. The government of France has, in the past, recognized the benefits of earlier farm succession and sought to increase earlier rates of succession by providing early retirement incentives (Lobley, Baker and Whitehead, 2010; Errington, 2002). Under the Common Agricultural Policy (CAP), European nations that adopted policies related to early retirement, could provide farmers with a pension for up to ten years, upon the sale of their farm to a farmer under 50 years of age. The goal of this policy was to encourage the transfer of farms to younger generations. In addition to France, Ireland also utilized this policy, as a measure to encourage farm succession to younger generations (European Commission, 2017). While this policy has since been suspended, providing a pension to farmers as an incentive measure for farm succession could be implemented in Canada. As a well-defined succession plan influences the future development and success of a farm, policy in support of the early creation of such plans is imperative (Lobley and Baker, 2012).

In situations where farmers cannot purchase the land, farmland rental arrangements are often sought and are viewed as a viable land access solution, at least at beginning stages for new entrants and young farmers. Rental arrangements are viewed as mutually beneficial as they provide the property owner with income and the renter with access to farmland. However, in some regions, access to farmland for rental purposes may not be as readily available as in the past. In fact, between 1996 and 2016, the total area of farmland rented decreased by 14% in Ontario, well below the farm rental rates of 1996. While farm rentals have historically been considered an outcome of increasing land prices, the 2016 statistics highlight a decline in rented land (OMAFRA, 2017). In southwestern Ontario in particular, this recent trend has been attributed to the sale of previously rented farms. Given their value, previously rented farmland has been sold off, significantly reducing the amount of rental land available, while simultaneously driving up the cost of remaining leased parcels. Further, given their high valuations, land purchases are being made by active supply management farmers, instead of cash croppers who cannot generate a profit on such costly land (OMAFRA, 2013).

For new and young farmers, farm rentals can provide an opportunity to access land and actively farm; however, in the longer term, almost all farmers want to own the home farm. Moreover, they require long-term access to land when building their businesses. It takes time to become familiar with fields, improve soil, develop infrastructure and processes, and proximity to specific markets may be critical to success. Few farmers want to build a business in one location and then move it to another and start over.

For these reasons, many new farmers require support in finding affordable farmland with long-term, secure access leading to ownership.

2) Access to Business Financing

For new farm entrants, access to capital, as well as operating loans, can be challenging. It can be difficult to find support to develop a business plan for a new farm enterprise; however, a detailed business plan is essential in helping new and young farmers to critically assess their agricultural enterprise and plan for a viable farm endeavour. A few organizations in Ontario offer business planning support for new entrants, including Everdale, Farms at Work, RAIN and Just Food, while most government-funded programs continue to focus on business planning and assessment for existing farms. Even when a solid business plan is in place, many lenders are unwilling to take the risk of funding innovative enterprises, preferring to deal with farm businesses that fit into standard models and supply-managed sectors. This is stifling change in the industry, and eliminating a pool of potential purchasers who would keep farmland in production.

Grant funding programs, while important, have their own drawbacks and cannot substitute for long-term relationships with lenders. Grant funds are generally available to farms for specific projects. For example the Agricultural Framework funding (most recently Growing Forward 2) and funder such as the Greenbelt Fund (Greenbelt Fund, 2017) or the Sustainable New Agri-Food Products and Productivity Program (SNAPP) for northern Ontario (RAIN, 2017), while important, are not consistently available, and only a limited number of projects can be funded each year.

Models exist in other jurisdictions for financing support to new farmers that need to be seriously examined in Ontario. For example, the case study of FarmWorks in Nova Scotia (Appendix A), illustrates an innovative and impactful approach.

3) Access to Knowledge and Training

One final challenge facing new and young farmers is knowledge and training. Agriculture tends to be a labour-intensive field that is continually requiring new skills and specialized training to match innovation within the industry. While farm families tend to pass knowledge down through generations, new farm entrants are not exposed to the same mentor relationships. A better understanding of innovative and informal networks of peer-to-peer learning and mentorship that occur outside of formal training environments is necessary and formal mentorship arrangements should be encouraged through policy and facilitated at the local level.

Training programs that provide the transfer of such knowledge from experienced farmers to new and aspiring entrants, is necessary. New entrants seek workshops, conferences, volunteer opportunities, mentorship and informal discussions with other farmers as a means of broadening their knowledge and farm skills (Moschitz et al., 2015; FarmON Alliance, 2012; Isaac et al., 2007; Kilpatrick and Johns, 2003). Further, the knowledge new farmers require is not limited to technical skills and includes marketing, financial planning, business planning and management (Niewolny and Lillard, 2016). New farmers have also identified a need for regional-specific training regarding production, business and networks as key to farm viability. Farm organizations that offer such regional services for new farmers include:

- Everdale (GTA): http://everdale.org/farmertraining/
- Farms at Work (East Central Ontario): http://farmsatwork.ca/
- Just Food (Ottawa): http://justfood.ca
- Rural Agri-Innovation Network (Sault Ste Marie, NorthEast Ontario): http://rainalgoma.ca/rain-agriculture/

Provincial commodity and production-focussed organizations are increasingly interested in how to transfer knowledge to new generations. Other programs, such as CRAFT, encourage farm-level training in concert with on-farm experience.

In Ontario, unpaid farm internships are growing in popularity as an opportunity to gain skills through experiential learning. While the benefits of such arrangements to a new entrant are obvious, they also fill a crucial labour need (Ekers and Levkoe, 2016). For small and medium sized farms, the financial benefits of such unpaid internships are significant and contribute to the resilience of these farms (Ekers et al., 2016). It is important to note, however, that these agricultural internships, particularly ecological farm internships, tend to be filled by educated, middle class individuals that can better cope with unpaid positions (Ekers and Levkoe, 2016). For other populations, particularly those that with lower incomes, including New Canadians with agrarian backgrounds, such programs are not readily accessed. The newly formed Agricultural Youth Green Jobs program is promising to support on-farm learning by supporting paid positions.

What is of critical importance is to develop an ongoing policy framework to support provincial, regional and on-farm models.

Conclusion

Considering the vast changes occurring throughout the agricultural industry in Canada, the future stability and viability of agriculture is dependent on new and young farm entrants. These farmers face significant challenges associated with land access, capital and training which impede their ability to establish a farm. Policy must be established to encourage early succession planning and innovative farming partnerships that provide new and young farmers access to land. As part of this, assistance is needed in accessing capital to purchase and sustain a farm, as well as receiving the training necessary for successful ownership, operation and management. Through such assistance, new and young farmers will be better situated to establish a viable farm enterprise.

Recommendations:

1. Policies should be put in place that recognize the strategic significance of farmland in providing food security to Ontarians, and prevent its commodification by investors.
2. Retiring farmers should be incentivized to work with new entrants and family members to ease financial access to land, and avoid transition under duress.
3. Qualifying new entrants to farming should be provided with financing options that reduce and/or spread over time the cost of acquiring farmland. These could be tied to business success, to ensure that they are directly related to lasting new farm entrepreneurship. Land trusts could facilitate this process.
4. Develop a funding program that assists new farmers in developing a learning plan, identifying relevant learning opportunities (workshops, conferences or courses), assists with cost of training and/or travel and provide opportunities to share what was learned with other farmers.
5. Develop specific recommendations for regional agricultural economic development.

Appendix A - Case Study: FarmWorks, Nova Scotia
Written by Phoebe Stephens

Information was gathered through a phone interview on July 24th, 2017 with Linda Best, founding member of FarmWorks as well as through the Good Food Network online recording “Pollinating Food Enterprises.”

Linda Best and a group of friends realized that the province of Nova Scotia required innovative socio-economic strategies to tackle the issues of declining farm populations and farm and food sector employment. Their vision was to provide strategic and responsible community investment opportunity in food production and distribution in order to increase access to a sustainable, local food supply for all Nova Scotians. So after meeting in 2010, Farmworks was incorporated in 2011.

Farmworks is plugged into the Nova Scotian community economic development investment fund (CEDIF) program which was legislated in 1998. To counter the large flow of money moving out of the province, the CEDIF matches local investors with local businesses. Money is raised for CEDIF through public offers. The sale of shares forms a pool of capital available to profit-oriented local businesses. Improving access to capital allows businesses to start or stay in communities. The enterprises cannot be charitable, non-taxable or non-profit. The CEDIF is strictly regulated by the Department of Finance.

To date, approximately 64 million dollars have been invested by over 8,300 Nova Scotians in the CEDIF program. In this model, program shareholders invest for 5 years for a 35% tax credit, reinvest at 5 years for an additional 20% tax credit, reinvest at 10 years for yet another 10% tax credit. Investments are eligible for RRSP tax deferral. Credits can be carried forward 7 years, back 3 years. In Linda's view, CEDIF's are an effective way to leverage local capital to help rebuild a sustainable farm and food economy. CEDIFs have a 90% success rate which is much higher than a typical small or medium enterprise survival rate.

Farmworks is completely volunteer run and is comprised of 14 directors and 25 advisors. Farmworks' first offer was in 2012 for $250,000. Now there are 42 businesses with a total investment value of $996,000. The minimum share price is $100, giving many people a chance to invest. Farmworks lends to qualified food-related businesses that are chosen to balance risk and achieve strategic goals. Loans range from $5,000-$25,000 and they are unsecured. The payback period runs from 2 to 5 years. Farmworks also provides mentoring to these businesses and works with other agencies and governments to help increase the awareness of food production in Nova Scotia.

Characteristics of loans:

- No application fee
- Specific criteria must be met – Farmworks spends a lot of time on due diligence
- Current interest rate 6% (2% for admin, 2% for any losses we may incur, 2% for dividends)
- Consultations as appropriate (before, during and after)
- Annual financial statements
- Early repayment without penalty

Investees are evaluated and receive a score based on the following criteria:
Comprehensive evaluation considers: character (1-20), commitment (1-20), management (1-20), business plan – markets (1-20), business plan – materials/methods (1-20), business plan – financials (1-20), visibility (1-60). Total 1-200. Less than 130 do not proceed, 130-160 reapply, greater than 160 proceed.

One of the main challenges for Farmworks relates to communication. These include: raising awareness of the benefits of local investing; gaining credibility with high net worth investors; dealing with retirement fund investments; selling through registered dealers; and raising awareness of the benefits of CEDIFs across Canada. Hosting Gentle Dragons sessions has been a useful communication and awareness raising tool. Based on the concept of the CBC's *Dragons' Den*, existing and potential clients present what they have and are hoping to achieve in an effort to gain access to funding.

Appendix B - References

Caldwell, W. and Epp, S. (2017). *Measuring Farmland Conversion in Southern Ontario.* Retrieved from: www.waynecaldwell.ca

Chiswell, H. M. (2014). The importance of next generation farmers: a conceptual framework to bring the potential successor into focus. *Geography Compass*, *8*(5), 300-312.

Cush, P., & Macken-Walsh, Á. (2016). The Potential for Joint Farming Ventures in Irish Agriculture: A Sociological Review. *European Countryside*, *8*(1), 33-48.

Duesberg, S., Bogue, P., & Renwick, A. (2017). Retirement farming or sustainable growth–land transfer choices for farmers without a successor. *Land Use Policy*, *61*, 526-535.

Ekers, M. & Levkoe, C.Z. (2016). Ecological farming with interns and volunteers in Ontario. *Ecological Farmers Association of Ontario Newsletter*.

Ekers, M., Levkoe, C. Z., Walker, S., & Dale, B. (2016). Will work for food: agricultural interns, apprentices, volunteers, and the agrarian question. *Agriculture and Human Values*, *33*(3), 705-720.

Errington, A. (2002). Handing over the reins: A comparative study of intergenerational farm transfers in England, France and Canada. *Zaragoza (Spain)*, *28*, 31.

European Commission. (2017). *Press Release*. Retrieved from:http://europa.eu/rapid/press-release_IP-94-3_en.htm

Farm Credit Canada. (2016). *2016 FCC Farmland Values Report.* Retrieved from: https://www.fcc-fac.ca/fcc/about-fcc/corporate-profile/reports/farmlandvalues/farmland-values-report-2016.pdf.

FarmON Alliance. (2012). *Learning to Become a Farmer: Findings from a FarmON Alliance Survey of New Farmers in Ontario.*

Gasson, R., & Errington, A. J. (1993). *The farm family business*. Cab International.

Goulet, F. (2013). Narratives of experience and production of knowledge within farmers' groups. *Journal of rural studies*, *32*, 439-447.

Greenbelt Fund (2017). *Greenbelt Fund Grants Create Systemic Change in Ontario's Food System*. Retrieved from: http://www.greenbeltfund.ca/grants

Isaac, M., Erickson, B., Quashie-Sam, S., & Timmer, V. (2007). Transfer of knowledge on agroforestry management practices: the structure of farmer advice networks. *Ecology and Society*, *12*(2).

Kilpatrick, S., & Johns, S. (2003). How farmers learn: different approaches to change. *The Journal of agricultural education and extension*, *9*(4), 151-164.

Lobley, M. and Baker, J. (2012). Succession and retirement in family farm businesses. In: Lobley, M., Baker, J. and Whitehead, I.(eds.) *Keeping it in the family: international perspectives on succession and retirement on family farms*. Aldershot: Ashgate.

Lobley, M., Baker, J. R., & Whitehead, I. (2016). Farm succession and retirement: some international comparisons. *Journal of Agriculture, Food Systems, and Community Development*, *1*(1), 49-64.

Moschitz, H., Roep, D., Brunori, G., & Tisenkopfs, T. (2015). Learning and innovation networks for sustainable agriculture: processes of co-evolution, joint reflection and facilitation.

Niewolny, K. L., & Lillard, P. T. (2016). Expanding the boundaries of beginning farmer training and program development: A review of contemporary initiatives to cultivate a new generation of American farmers. *Journal of Agriculture, Food Systems, and Community Development*, *1*(1), 65-88.

OMAFRA. (2017). *Census*. Retrieved from: http://www.omafra.gov.on.ca/english/stats/census/index.html.

OMAFRA. (2008). *Preparing Business Plans.* Retrieved from: http://www.omafra.gov.on.ca/english/busdev/facts/08-051.htm

RAIN. (2017). *SNAPP Sustainable New Agri-Food Products & Productivity Program*. Retrieved from: http://rainalgoma.ca/snapp/.

Statistics Canada. (2017a). 2016 Census of Agriculture. *The Daily.* Retrieved from: http://www.statcan.gc.ca/daily-quotidien/170510/dq170510a-eng.htm.

Statistics Canada. (2017b). *Table 004-0245 - Census of Agriculture, farms reporting a written succession plan for the operation, every 5 years (number),* CANSIM . Retrieved from: http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=0040245&&pattern=&stByVal=1&p1=1&p2=31&tabMode=dataTable&csid=

Statistics Canada. (2015). *A Profile of Self-employment in Rural and Small Town Canada: Is there an Impending Retirement of Self-employed Business Operators? Table 2: Number and percent self-employed in rural and small town Canada, 2010.* Retrieved from: http://www.statcan.gc.ca/pub/21-006-x/2012001/tbl/tbl02-eng.htm.