



*Long-Term Thinking  
for Today's Issues*

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### **A New Entrant Program for Agriculture A CFFO Position Statement**

#### **Preamble**

Entering into agriculture in Ontario today has become an extremely challenging prospect for the average person. The financial resources required to succeed are tremendous. As an organization that is committed to family farming, the CFFO would like to see programs developed that enable new entrants into agriculture to succeed.

#### **The current situation of Ontario Agriculture**

- 1.) Ontario farms are some of the most heavily indebted farms in North America. This situation places us at a competitive disadvantage with our neighbours. New entrants to the industry that have to borrow heavily only exacerbate the situation.<sup>1</sup>
- 2.) The average age of farmers in Ontario is 53. One can infer from this that farming in general is not attractive to the younger generation for a variety of reasons, many of which are financial in nature.
- 3.) Ontario's supply managed sector has very highly priced quota, increasing the cost of entering these industries greatly.
- 4.) Furthermore, minimum quota requirements to enter into industries, such as broiler chickens, throws up a further barrier to new entrants.
- 5.) Ontario's land prices do not seem to truly reflect the average value of the crop being produced. Formulating a business plan that bankers will approve is far more difficult to develop given this condition.
- 6.) The pork and beef industries has suffered several bad years in a row, leaving little hope for new entrants.

#### **Recommendations for a New Entrant Program**

- 1.) For the purposes of this program there is no need to make a distinction between entrants with no affiliation with agriculture and those who may have family already in the sector.
- 2.) Farm Credit Canada, along with other lending institutions, should offer farmers, if they meet eligibility criteria, special loans to improve the viability of the new enterprise. Any loan would be contingent on the inclusion of a sound business plan. The CFFO recommends the following regarding the details of the special loans
  - a. The loans should be set at prime less one-half to one and a half percentage point(s).

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<sup>1</sup> As reported by Dr. George Brinkman during the CFFO's 2007 seminar series and in his presentation at the January 2007 Provincial Council.

- b. The loans should be granted for investment in productive assets, not including the residential lot.
  - c. These special loans should be renewable after five years, and return to a normal rate after 10 years.
  - d. The loans should be capped at \$750,000 dollars. This number should be reviewed every 5 years and adjusted for inflation.
- 3.) A program should be developed that encourages retiring farmers to use some of their equity to support a new entrant into the business of farming.
- a. An incentive program should be developed to encourage retiring farmers to sell their land at a lower price, excluding the residential lot. For example, an increase in the capital gains exemption could be granted to farmers who sell their land within a defined range, preferably percentage based, as this will better reflect regional differences.
- 4.) The supply-managed industries need to develop methods that keep a portion of quota sales in the industry for investment in new entrants. This quota could then be loaned to new entrants, providing them with the means to enter the industry. After 5 years, 10% of the loaned quota would have to be either paid for or returned to the board. This process would continue for 10 years. It must be emphasised that the purpose of quota is to grant the right to produce, not the right to make a profit off of holding quota.
- 5.) New entrants should be exempted from the land transfer tax.
- 6.) Any new entrant program should also require that the new entrant take a business management program. The advantages gained through a new entrant program should also come with certain responsibilities.
- 7.) New entrants in this program should also have to enter a mentoring program or be involved in a management group.<sup>2</sup> This will provide new entrants with the opportunity to learn from other farmer's experiences.

*Adopted by*  
CFFO Provincial Council  
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<sup>2</sup> The development of a mentoring program would need to take into consideration whether farmers would the need to compensate producers for their time, or whether it would be done on a voluntary basis