

# Agricultural Renewal supporting a new generation of farmers in Canada

## Issue

We are facing a very real crisis in agriculture within the next 10 years. Farmers are getting older in Canada and fewer young people are entering farming. Just 2% of the Canadian population farms. With just under 30,000 young farmers in Canada today and the fastest declining numbers in history, we simply cannot afford to continue along this path. If we do not encourage and support new farmers, an ever narrower slice of our population will be producing our food in the future. This loss of farmers creates a threat to our food security so great that we must undertake unprecedented action.

**We need young farmers, we need new farmers, we need more farmers.**

Fortunately, we have begun to witness a strong resurgence of interest in healthy food and farming, and increasing numbers of young people (from farm and non-farm backgrounds), new immigrants and second career farmers who are interested in pursuing a future and livelihood in agriculture. They are interested in building entrepreneurial, economically viable and ecologically sustainable farm enterprises. There are many challenges facing these new entrants yet there are also many opportunities and they bring skills, connections and passion that can lead to innovation and renewal.

In the next *Growing Forward Agricultural Policy Framework* we need a **Renewal Program that brings together federal, provincial, municipal, public, private and farm sector partners to implement programs and policies that will support a new generation of farmers.**

## Background

The average age of farm operators at 54. 80% of current farmers looking to sell or transfer their farms in the next ten years, and 60% of these do not have a family member interested in taking over the farm. The aging and retirement of this cohort will mean the disintegration of the social fabric of rural communities and the long-term stewardship of our farmlands, unless there are young and new farmers to take their place.

Yet over the last 2 decades, it seems the disincentives and challenges facing new farmers have become overwhelming and prohibitive. In the 15 years preceding the 2006 Census of Agriculture, Canada lost 62% of its farmers under the age of 35. The 1991 Census recorded 77,910 young farmers, the 2006 Census just 29,925. And during this time only one third of the new entrants in farming were under the age of 40.

Although the potential negative effects of this continual shift were recognized some decades ago, it is only recently that a major effort began from many sides of the industry seeking solutions to this problem. While these demographic changes could be attributed to many factors such as market fluctuations, more efficient production methods, improved technology, and more career options for young people to choose from, the current statistics on young farmers show that something more dramatic has happened in agriculture to cause this decline. Potential new farming entrants have lost the support mechanisms that reassure them that they will be able to earn a living.

Most farmers start out their careers as small farmers, they then grow larger according to need, desire or capacity. Therefore, the mechanisms that small farmers use to succeed on their farms are the same ones that new farmers will use when starting out their farming career. As these mechanisms are depleted, however, small farmers lose their ability to earn a living, and new farmers no longer have the security they needed to begin their career. The results are fewer and larger farms, as well as fewer new entrants into farming.

Some current examples of support mechanisms for small farmers are supply-managed production systems and collective marketing strategies, farmers' rights to save and re-use seed, producer car loading sites and local, accessible infrastructure to assist in the first stages of processing or marketing farm products. These systems, although clearly benefiting small producers, are being threatened today, sometimes by the same voices that are searching for the ways to regenerate interest in agriculture among our young people.

There are also other very serious structural, economic and practical challenges that are preventing new and young farmers from getting into the agricultural sector. The difficulties facing those who wish to start a farm enterprise are often overwhelming and discouraging: land values based on speculation or recreation rather than farm businesses, lack of access to appropriate training and resources, difficulty obtaining appropriate financing, patient loans and risk taking capital, the consolidation and closures of local suppliers, processing and distribution, the uncertainty of increasing weather related risks, as well as the social and cultural disincentives.

### **Where will new farmers come from?**

Despite this trend across the country, we are witnessing a strong resurgence of interest in healthy food and farming, and increasing numbers of young people from farm and non-farm backgrounds, new immigrants and second career farmers who are considering pursuing a future and livelihood in agriculture. They are coming to agriculture from a variety of backgrounds, and at different stages in their farming careers. Many of them grew up in cities, suburbs, or other countries. Many have pursued non-farm careers and are choosing farming as a way to get back to their roots or as a means of creating new ones. They want to pursue a serious livelihood in agriculture. They are ready willing to work hard, use their hearts, heads and bodies, and struggle through the hard, uncertain years of building a new farm business. And they do it with a smile on their face and a spirit that is contagious.

They are interested in running successful, sustainable and profitable farm enterprises. They are entrepreneurs who are committed to carving out viable new markets, expanding local food markets and producing quality food. They are carefully assessing how to grow and improve their business, their products and their markets, scaling up over time and minimizing their debt. They incorporate both economies of scale – using their assets and resources most efficiently- as well as economies of scope – by diversify products and integrating the whole farm.

They are connecting more directly with their consumers in creative and innovative ways. They are developing 'differentiated' products, rather than selling commodities. They are building value chains rather than being part of supply-chains. And they approach their businesses from an ecological and social perspective as well as an economic one.

This new generation of farmers has the potential to create real, healthy, delicious change in their own lives, throughout our urban and rural communities and across our farmlands. **We need to support new farmers today if we want to have established farmers 10 years from now.**

## Key Considerations:

**Focus farm policies on supporting small farms,** because young farmers and new farmers often start out on small farms. If our policies do not create and support viable small farms, we bar the door against farmer entry.

**Ensure long term land tenure and stewardship.** Long term investment and care for our land, soil, ecosystems and local communities requires secure land tenure for those who grow food, and access to land for those who want to begin. It means that the farmers and other producers who work the land must be the ones to control that land—we cannot let our land be bought up by corporations, investors, or absentee owners.

**Invest in Farmland Trusts and public ownership.** While many farm families want to own their own land, and while our policies must support farmer ownership, not all of Canada's foodland needs to be owned privately by individuals. Innovative arrangements of public ownership for some land may help young and new farmers enter agriculture. And public ownership arrangements can help keep high-value land adjoining major cities in food production. In some places, communities will want to own or control a portion of their food-producing land.

**Create new, debt-minimizing forms of land transfer.** Land ownership must not bring with it an unmanageable burden of debt. Over the past decade, farm debt has doubled to \$64 billion. Over the coming decade, a status quo model of debt-financed intergenerational transfer and land acquisition will drive that debt higher. To attract new entrants, we must reduce debt barriers. To retain current farmers, we must staunch the interest-payment bleed-off of wealth.

**Create access to capital that support new business models and provide venture and character based lending.** New farmers are not able or interested in building their businesses based by borrowing large amounts of money, servicing the debt and selling their land as an asset at the end. They want to scale up and invest strategically over time, minimizing their debt. They need recognized small scale, diversified business models. They need government backing for shared savings programs, venture and establishment grants, patient loans, and appropriate asset and equity financing.

**Provide farmer training programs in rural and urban communities as well as accessible, lower-risk ways to enter the sector.** We must encourage new farmers from all backgrounds. We engage, encourage and support a wide range of young people from non-farm backgrounds, new immigrants and second career farmers. New farmers from non-farm backgrounds need low risk ways to explore a career in agriculture, or we will lose prospective farmers at the outset.

**Fund and staff extension services.** Farmers need expert information about low-input agriculture, cost reduction, adaptation to climate change, integrated pest management, alternative fertility techniques, energy efficiency, and other techniques unlikely to be well-covered by seed or chemical company staff.

**Facilitate and fund farmer-to-farmer mentoring and the transfer of knowledge and skills.** Investment is required to increase the opportunities, standardization and quality of mentorship-based, farm centered, hands-on farmer training that is necessary to support a professional and viable generation of new farmers.

**Create necessary farm support, farm income, and supply-management-flexibility initiatives.**

**Implement a retirement plan for farmers.** Enabling existing farmers to retire with dignity and security makes room for new farmers. And ensuring that farmers have adequate retirement funds means that families will not have to sell and refinance their land-base each generation.

## Recommendations:

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**Limit non-farmer land ownership; facilitate new land tenure, transfer, and financing mechanisms; and mechanisms to stop farmland loss and conversion.**

**WHO:** Governments, municipalities, and land-sellers and buyers.

**HOW MUCH:** The \$3 billion currently leaving farms and farming communities in the form of interest-payment outflows is approximately equal to government farm aid programs. Staunching interest outflows can lead to savings in tax-funded programs. Stopping foodland loss will have immeasurable benefits for future generations.

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### Some Examples:

> **Create incentives for existing farmer to have succession plans** (10 years before the succession - could be similar to the Options they sell to developers)

> **Ensure prime farmland is protected:** Agricultural Reserves, clear Urban Growth Boundaries, Farmland trusts, Buyout of Farmland Conservation Agreements.

> **Capital Gains Exemptions in sales to new farmers** – An increase in the capital gain exemption when a property is sold to a prospective farmer would create an incentive for farmland to be sold to farmers instead of the highest bidding developer.

> **Registered Family Farm Trust Fund (RFFTF)**, which would operate much as a Registered Education Savings Plan. Farm families and governments would contribute to a tax-sheltered fund. It could provide retirement funds for exiting producers, allowing them to roll farm operations over to family members or to new farmers.

> **Land Transfer Tax** – The land transfer tax exemption to within family and corporation members should also be expanded to anyone selling farmland to a qualified unrelated beginning farmer. Moreover, our taxation system could give preferential treatment to farmer owner-operators (and retired farm families who retain land) vs. non-farmer owners.

> **FarmLINK** programs – There are both producers willing to sell/rent their farm to new producers and new producers willing to buy/rent existing farms that aren't able to connect. FarmLINK programs can help these people connect. FarmLINK can also help facilitate creative access to land arrangements or business partnerships that can help new entrants get their businesses off the ground (eg. Access to institutional lands for farm start-ups).

> **Prohibitions on foreign, corporate, investor, and absentee ownership.** Canadian food land must be owned and controlled, as much as possible, by the citizens who live on and work that soil.

> **New ways of getting land into the hands of those who want to farm,** including:

- i. Community-owned Land Trusts and land banks to ensure local food production and to enable the entry of new farmers and other producers.
- ii. Exploration of secure land tenure rooted in collective or social ownership—a re-appraisal of “the commons”.
- iii. Debt-free or interest-free land transfer mechanisms, including community-based financing options (that stem the extraction of interest-payment wealth from local communities).

iv. Government agencies that support seller-finance options. (Sellers and buyers could self-finance, and the role of the government agency would be to step in in rare instances when transactions go bad and there is a need to return the land to the seller.)

> **Controls on the conversion of foodland to other uses:** subdivisions, quarries, golf courses, etc.

> **Recognition that land has multiple functions:** farm fields are also habitat and watersheds. Land use planning and budget calculations must take rational and integrated account of all costs and savings.

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### **Creative, effective, sustainable and accessible financing programs that could help support new entrants and re-strategizing farmers and exiting farmers**

**WHO:** Governments, financial institutions, private Community lending programs

**HOW MUCH:** 15% of current farm-support spending. Because it would decrease the need to refinance land each generation, interest-dollar outflows from communities would be reduced. Taxes on that economic activity may partially offset overall expenditures.

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#### **Some Examples:**

> **A Shared savings program for new farmers** - Prospective farmers make deposits; governments match savings up to a limit (similar to RESP)

> **Farmer Retirement Program**- Farm families make deposits; governments top up interest rates.

#### **> Establishment / Start Up Grants**

- *Small venture grants* - in planning and start up stage – supporting passion and initiative rather than the business plan
- *Establishment grants* - with prerequisite training and business plan (eg. Quebec \$20,000- 40,000)
- Affiliated with face-to-face coaching, business planning/ development support

#### **> Small Loans and Operating Capital**

- “Start up” stage loans with patient repayment terms (eg. OSAP)
- A federally funded small loans program specifically for new farmers which is implemented by local lending institutions and/ or rural municipalities.
- Higher-risk, low interest loans to small beginning farmers and small farm-related businesses and cooperatives with little equity. (eg. Farm Start LLP in the NE New York State - loans up to \$50,000 for working capital)

#### **> Loan Guarantees**

- Extend and improve the CALA program to recognize new business models
- Facilitate Community Capital lending programs - character based, small loans backed by lenders (eg Foundations, individuals, businesses)

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**Support for small farms; accelerated and effective farmer training; and a national policy that moves us toward a larger food-producing population, rather than a smaller one.**

**WHO:** Governments, technical colleges, universities, not-for-profit organizations, and farmer service organizations.

**HOW MUCH:** If 10% of our current farm-support spending was redirected toward preparing new and young farmers, we could train 5,000 to 10,000 per year.

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**Some examples:**

- > **Establish funding streams for new mentorship, farm centered and farmer-to-farmer training programs in each province**
- > **Expand sustainable agriculture research and extension.**
- > **(re)Establish and support regional extension/coach/service centers**

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**Move Federal Business Risk Programs towards smaller sums of support funds directed over more farms; make them more accessible to new farmers.**

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**Some Examples:**

- > **Lower caps on federal support programs** to \$500,000 to ensure more support gets to the most vulnerable farmers.
- > **Simplify federal support programs for young and new farmers to make them more accessible.**
- > **Regionally-administered programs** to support new entrants, advertised effectively in local rural areas.