

***It is time to change how we invest in our farmers and our farmlands.***

We are facing a very real crisis of renewal in agriculture within the next 10 years. Ontario faces the same intergeneration farm succession challenges that we see across Canada. According to AAFC, in the next 10 years 50% of our farm assets will be transferred and 75% of retiring farmers do not have successors.

The farm landscape is changing as many of our farmers approach retirement. More and more farmland is being consolidated into large corporate operations, sold to developers, speculators or private non-farmers. Thousands of acres of prime farmland in Ontario are permanently lost to agriculture each year, to accommodate urban growth, infrastructure projects, quarry developments and other land uses.

The continued loss of family and independent farm operations will affect the health of our rural communities, the availability of quality, differentiated and locally produced foods, as well as the careful stewardship of our productive agricultural resources for generations to come. A local sustainable food system is not even an option if we do not have local farmlands for local farmers.

Fortunately, we have begun to witness a strong resurgence of interest in healthy food and farming. There are many challenges facing new entrants, yet there are also new opportunities. New entrant farmers are striving to build entrepreneurial, economically viable and ecologically sustainable farm enterprises. They bring skills, connections and passion that will lead to innovation and renewal.

Of the many structural, economic and practical challenges facing new and young farmers, we have found that securing access to affordable and productive farmland is perhaps the most overwhelming. Market farmland 'values' are based on speculative lending associated with development, recreation and potential aggregate uses. Land values are not based on the potential real revenue a farmer can achieve.

At the same time new farmers are struggling to find an affordable and appropriate farm, we see many farm families in the process of retiring and selling their farms struggling with the complex financial and personal factors that lead them to sell quickly and to the highest bidder. Despite their interests, most farm families are unable to pass the farm to their children, much less a new set of farmers.

Both existing and new farmers have been pressured by the market and current finance system to approach land as a speculative investment rather than a productive asset. We effectively have a farm system that demands consolidation, 'sunset' agriculture, non-farming land owners and short-term land tenure. We need to find creative ways to intervene or we will see much of our valuable farmlands transferred out of the hands of farmers in the next decade. The loss of our productive soils and farm assets will be a critical economic and systemic driver, limiting the potential scale and capacity of a sustainable food system in the future, regardless of market demands or food security needs.

If we hope to have vibrant local food economies, thriving ecosystems and healthy, locally produced food, we need diversifying and growing numbers of local farms and we need to ensure the long-term stewardship of our productive soils.

Some of these challenges can be addressed if we can develop new farmland protection, transfer and succession options for farmers that achieve complementary goals: an equitable retirement from farming, affordability of land or appropriate tenure for new entrants and the long-term protection of our valuable farmland resources. And we believe, we can do this by engaging those who have the capital; enabling true investment in the long-term sustainability of our farmers and farmlands.

**OUR GOAL**

To develop and enable concrete and sustainable investment/financing vehicle(s) that will encourage and ensure viable farm succession and long-term farmland preservation; options that will enable current farmers to exit with dignity and retirement funds and ensure a new generation of farmers to access productive farmlands in ways that will allow their businesses to thrive.

**OUR APPROACH**

*This project will allow FarmStart to catalyze and facilitate the feasibility, pilot generation and establishment stages. However, our goal is to help seed the building of an organizational model, structural partnership or resources and tools that can facilitate and manage farm succession, financing, land protection and the transfer of farms to a new generation of farmers.*

We will bring together a project team, technical consultants and a committee of key advisors to identify the most viable options, organizational structures, partnerships, regulatory and legislative issues, as well as financing tools and opportunities. This work will build on previous research and experience of the team, partners, advisors and existing models.

There are increasing numbers of for-profit equity funds investing in farmlands. We believe we can use similar financial tools to protect farmland, and ensure that the land will be in the hands of owner operated farms. One example to draw from the is Farmland LLP, a US equity fund that buys and converts farmland to organic production and then leases or sells the land. Other organizations to look to are the Equity Trust Inc in Maine, and Farmworks in Nova Scotia. Models from other sectors include the CSI’s community bonds, the Community Power Fund and Options for Homes.

**We will explore the options within three different frameworks**

1. <b>Management Services</b>	2. <b>Community Financed Farms</b>	3. <b>A Farmland Fund</b>
<p>Working with high net worth investors who are prepared to place money into farmlands (with slow appreciation expectations), and who do not want to manage the property or the transition to a new farmer. An easement would be placed on the land to provide taxation benefits to the investor. Near urban parcels could be rented and run as FarmStart Farms, or subdivided into a shared facility with long-term rental units. Alternatively, FarmerLINK may rent and manage placements of farmers on the land in long-term leases or lease to own arrangements. The partners involved would work with the investors/landowners on a fee for service basis.</p>	<p>Specific farms are purchased with mortgages and the use of funds raised through the issue of community bonds. Individual investors know which farm property they are investing in through the community bonds. A non-profit or coop intermediary buys the lands from an exiting farmer, places an easement on the property and provides favourable terms for a new farmer in a long term lease, to lease to own, or to purchase the farm.</p>	<p>To allow investors to incorporate farmland assets into their portfolio without purchasing or investing in one particular farm. Funds will be pooled in an equity or fixed income type of investment which will be used to leverage funds to buy or aid the purchase farmlands. This would be in accordance with the fund objectives of helping retiring and new entrant farmers and protecting farmlands for future generations.</p>

## **METHODOLOGY**

### **Review and compare a combination of models, partnership and management structures and tools.**

This will include assessing the costs and benefits of a variety of models, partnerships and co-operative structures as well as understanding the legal limitations and possibilities of different organizational models or processes.

We will identify the available financing tools, opportunities and challenges within each model. We also aim to calculate what these could mean for costs and potential revenue tools (e.g. for profit co-ops, NFP co-ops, non-profit organization, farmland trust, equity fund and others, green energy installations, farm and infrastructure rentals etc.).

This work will build on previous research and experience of the team, partners and advisors involved as well as other operating models.

### **Assess and identify the needs and generate the interest of potential private, foundation and institutional investors.**

We will consult and engage a range of socially motivated investors, and explore how we can build the fund, connecting farmers with long-term viability with investors with long-term goals. These investors will include:

- a. High net worth individuals investing via market exempt products and/or private equity offerings
- b. Private, mission related foundations
- c. Regular community members and retiring farmers interested in pooled funding options
- d. Infrastructure Ontario and other public lenders
- e. Pension Plan Funds

We will explore the use of tax incentives and other financial tools to increase participation in the proposed investment models. We will assess how we can use community bonds or other Community Economic Development Funds, create RRSP's and/or TFSA eligible funds which allow investment from a broad scope of individual investors.

### **Assess the needs and interests of retiring farmers and new farmers regarding land ownership, rental rates, equity, tenure and farm size, scale and assets.**

We will examine the desires and needs of retiring farmers and explore 5-10 year 'options' to sell, subleasing and staged transition of ownership.

We will assess a variety of tenure options for new farmers such as long-term leases, lease to own arrangements, succession or purchase. We will also identify the range of reasonable rents and realistic land purchase / mortgage carrying capacity of viable diversified and locally oriented farm operations.

### **Undertake the cost accounting for the most viable models identified.**

Once we have established the options, the team leads will then work with financial, legal and planning advisors and conduct the feasibility assessment and full cost accounting of these options. We will also work with partners and political allies to identify necessary regulatory, tax, planning and structural barriers, adjustments, changes or allowances.

Elliott Currie and Sandra Scott, at the College of Management & Economics at the University of Guelph, will be engaged to complete the full cost accounting of the models identified.

## **OUR TEAM**

### **Project Lead:**

Christie Young, ED of FarmStart

### **Project Coordinator:**

Laurie Thomas, Program Manager, FarmerLINK

### **Financial Lead:**

Jens Lohmueller, Partner/Owner Community Partners Group.

### **Structure/Organization Assessment Lead:**

Sally Miller, PhD and MES.

## **ADVISORY COMMITTEE**

### **Agricultural and Alternative Finance**

**William McClounie**, President and CEO of Agri-Food Capital Corporation

**Jennifer Stevenson**, Finance and Business Structures Program Lead, OMAFRA

**Elliott Currie and Sandra Scott**, at the College of Management & Economics at the University of Guelph.

**Joanna Reynolds and Adam Spence**, MaRS Centre for Social Impact Investing.

### **Farmland conservation**

**Matt Seztorn**, Ontario Farmland Trust

**Pat Learmonth**, Director of Farms at Work

### **Planning & Policy**

**Norman Ragetlie**, Director of Policy and Stakeholder Engagement. Rural Ontario Institute

**Wayne Caldwell**, Director of the School of Environmental Design and Rural Development and a Professor in Rural Planning, University of Guelph.

### **Legal**

**Brian Iller - Iler Cambell**

## BUDGET

Expense	Purpose	Amount	Amount Inkind /contribution
<b>Project Management</b>			
Project Leadership (Christie Young)	Strategic development, partnership building, Committee Facilitation		5,000
Project Coordination (Laurie Thomas)	Farmers needs assessments, succession arrangements	25,000	
Structure / Organization Assessment Lead (Sally Miller)	Organization/ structure research	13,000	
Finance lead (Jens LohMueller)	Financial tools, mechanisms, opportunities assessment	13,000	
Overhead & Project expenses	Travel, meetings, printing etc...	18,000	
<b>Advisory Committee</b>			
Social Impact Investment Sector (MaRS CSII)			10,000
Easement and Planning (OFT)	Easement tools and structure, tax opportunities, trust tools, planning policies	4,200	2000
Agricultural Finance Advisor (AFCC)	Farm viability assessment, agricultural finance models. investment from ag sector	4200	3000
College of Management Economics at UoG	Full cost accounting of options identified	10,000	
<b>External Consultants</b>			
Specific Technical Advisors	Legal, technical, financial expertise	10,000	
Due Diligence	Legal and financial		10,000
<b>TOTAL</b>		<b>97,600</b>	<b>30,000</b>

## Appendix 1 Our Team:

### **Laurie Thomas**

Laurie is the Program Manager of **FarmerLINK**, a non-profit corporation set up by FarmStart, whose goal is to support new farmers access to farmlands, investment, networks and knowledge through farm-linking, succession and networking services. FarmerLINK currently manages and is expanding the matchmaking website [www.farmlink.net](http://www.farmlink.net). FarmerLINK is also developing succession coaching, farm advisor training and individual farmland match-making services.

*Laurie will provide project and team coordination support and act as advisory committee liaison. She will also undertake the succession assessment piece of this work.*

### **Jens Lohmueller**

Jens is a founding partner in Community Partners Group and CU Consulting Group. His expansive 20 year background in finance covers the German and Canadian Credit Union system, as well as years with Deutsche Bank in Canada. With Community Partners and CU Consulting it is his goal to partner community financial capacity building with an enhanced market reach for community owned financial institutions. He has studied Economics at the Johannes Gutenberg University in Mainz, Germany, the University of Western Ontario and concluded his studies with a Masters degree in Environmental and Resource Economics at the University of Guelph. He is currently the Treasurer for the Community Power Fund.

*Jens will be engaged to identify and evaluate the benefits and challenges for a range of traditional and alternative financial tools and models. He will oversee the cost accounting and work with the team to identify the most viable options.*

### **Sally Miller**

Sally Miller holds a MA and PhD from Cornell University, as well as an MES from York University. She has worked in co-op management and co-op development for almost twenty years. She has extensive experience as a consultant and manager for organizations including Organic Meadow, the Ontario Natural Food Co-operative and the Finger Lakes Organic Growers' Co-operative in New York and recently, the West End Food Co-op in Parkdale. She also published a book on innovative approaches to achieving a more equitable and sustainable food system (Edible Action, Fernwood Publishing, 2008).

*Sally will be engaged to identify and evaluate the benefits and challenges for potential co-op, not-for-profit and for profit organizational models and work with the team to connect them with the variety of available financing tools for each model.*

## **Appendix 2 Our Advisors:**

### **Matt Seztorn, Policy Coordinator for The Ontario Farmland Trust (OFT)**

OFT is a non-profit charitable organization, established in 2004, whose mission is to protect farmland and the associated agricultural, natural and cultural features of Ontario's countryside. They offer both landowners and community groups tools, such as farmland conservation easements, that can be used to protect individual properties of value to them.

### **William McClounie, CEO and President of the AgriFood Capital Corporation (AFCC)**

AFCC is to operate as Canada's first dedicated Agri-food merchant bank and as such facilitate and increase domestic and foreign trade in concert with the attraction of both domestic and foreign investment for the industry. A further key component will be to bring quality and consistent professional advisory services to the industry.

*William will bring his experience with agricultural lending to this project. William is also working as a consultant with FarmStart to develop a New Entrant Loan Program in conjunction with the Community Future Development Corporation and will bring the information collecting in our assessment of start-up farm business models and bench marks.*

### **Elliott Currie, Department of Business, College of Management & Economics at the University of Guelph**

Elliot currently teaches Management Accounting and Business Policy but in the past has taught Organizational Behaviour, Finance, Operations, Financial Accounting, Entrepreneurship and Management Controls. His current research is in the area of derivative financing, and the competitiveness of Ontario food processors with focus on evolving demands on the industry. He works primarily on recognizing and assisting in the process of identifying and operationalizing the opportunities facing the agrifood industry in Ontario.

*Elliot, his colleagues and students will be engaged to complete the cost accounting and financial analysis of the models.*

### **Norman Regetile, Director, Rural Ontario Institute (ROI)**

Norman is currently the Director of Policy and Stakeholder Engagement with the Rural Ontario Institute. The Institute develops leaders and facilitates dialogue among diverse rural stakeholders to build strong rural communities and influence policy. Prior to joining the Institute Norman led various community economic development initiatives for 10 years with the Ontario Ministry of Agriculture and Food and Rural Affairs developing resources and conducting training to build understanding of tools and strategies for community economic development. Prior to working for the province his career included a decade as a professional planner for a regional municipality where he coordinated community and corporate sustainability programs and developed land use policy for natural heritage and farmland protection.

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