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Chair

Mr. Pat Finnigan

Standing Committee on Agriculture and Agri-Food

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● (1140)

[*English*]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): I call this meeting to order.

[*Translation*]

Thank you for being here, everyone.

[*English*]

Pursuant to Standing Order 108, the study of debt in agriculture sector and its effects, I want to welcome the panel we have with us here today.

Although it will be a shorter committee meeting than usual, because of a vote, we will allow each of you a 10-minute presentation and then we will probably shorten our question period.

[*Translation*]

I would like to welcome Michèle Lalancette, who is the president of the Fédération de la relève agricole du Québec. We also have with us, from the same federation, Philippe Pagé, the interregional coordinator.

[*English*]

From the Canadian Agricultural Human Resource Council we have the executive director, Portia MacDonald-Dewhirst, and the chair, Mr. Mark Wales.

From the Canadian Cattlemen's Association we have Brady Stadnicki, policy analyst.

From the Saskatchewan Cattlemen's Association we have Ryan Beierbach, the chairman.

Welcome to all of you.

[*Translation*]

We will start with the Fédération de la relève agricole du Québec.

Ms. Lalancette, you have up to 10 minutes in which to make your presentation.

Ms. Michèle Lalancette (President, Fédération de la relève agricole du Québec): Thank you.

Mr. Chair, ladies and gentlemen, Mr. Poissant, good morning. Thank you for inviting us to your committee to share with you our observations on debt in the agricultural sector.

My name is Michèle Lalancette. I am the mother of two wonderful children, a proud farmer from Saguenay—Lac-Saint-Jean, and president of the Fédération de la relève agricole du Québec, or FRAQ. I have been involved in agricultural renewal for about 10 years. I do so with passion for young people like myself, who dream of making a living in agriculture.

With me is Philippe Pagé, the federation's interregional coordinator. He grew up on a hog farm himself, in Saint-Camille, in the Eastern Townships.

One of the reasons that motivated us to appear before you today is that we would like to describe for you the issue of debt from the perspective of Quebec's young farmers. First of all, in our opinion, agricultural businesses must be transferable to the next generation so that it is possible to start a new business and make a living from it. Young farmers must also have access to the assets.

Before I go into greater detail on this, I would like to tell you some more about the group I represent.

The organization known as FRAQ brings together young Quebecers from 16 to 39 years of age with a common interest in agriculture. We have more than 1,600 members all over Quebec, from the Outaouais to the Magdalen Islands. FRAQ is the place where young farmers and those with a passion for agriculture can meet and share views.

FRAQ operates mostly like a drive belt that links the aspirations of the new generation of young farmers to decision-makers. Its mission is to safeguard the interests of young farmers, to improve their operating conditions, such as in farm transfers or start-ups, and to provide them with information about existing programs in a host of areas, such as income stabilization, start-up assistance and so on. It also has a mission to attract the younger generation to agriculture.

As I mentioned at the outset, we are here today to discuss with you the importance of the prudent use of debt in the transfer and start-up of agricultural businesses, as well as access to the assets.

Let us start with farm transfers and start-ups.

Debt is not a bad thing in itself. After all, it is what allows our young farmers to access capital, allowing them to acquire or start their agricultural businesses. Debt can therefore serve as a lever to improve a farm's viability and its ability to be passed onto the next generation.

Often, the sellers, the people who want to transfer their farms, are those that set the transaction in motion. Clearly, there has to be something in it for them in order for the transfer to be mutually beneficial. So, what do the sellers have left after the transfer? What can actually motivate them to transfer their farms?

In farm transfers, we know that a large part of the transaction happens because of a gift, since a huge amount of capital needs to be invested. Despite the gift, if the business is highly indebted, the capital that the young farmer has to invest remains very high. That often makes the transfer impossible. In addition to the debts that sellers have to repay, they have to make sure that they have enough for their retirement. That is without counting the taxes to be paid. We can come back to them later. The bottom line is that young farmers have to invest major capital and that is very difficult. In some cases, after buying a farm, or having one transferred, young farmers start off their careers in terrible debt, even before any investments in the business are made.

This requires us to come up with new ways of making transfers. For example, we are seeing the seller-lender formula more and more, where the sellers themselves back the loans to the young farmers. The formula ensures that the seller receives a kind of long-term rental income.

As part of our 2015 brief on the aspirations of young farmers, we conducted a simulation. We calculated that the percentage of the value of the assets taken up by debt averages between 16% for large farms and 38% for a sheep farm, for example.

Once the debts have been repaid, sellers have little money left to retire on in certain cases, especially when their are two owners.

As the farmers' retirement depends on selling their businesses, a number of them are tempted to dismantle them.

Still using the simulation we conducted for our 2015 brief, the total amount that the young farmer is able to pay the seller is sometimes even less than the company's debts. So the seller will still have debts to pay once the business is transferred.

The stumbling block at the moment is the perpetual refinancing when businesses are transferred. The sale is made, the young farmer has to go into debt to the bank, and the same thing happens 35 years later. Basically, the only ones that profit are the financial institutions.

Debt must be limited.

With business loans, the economic models have to be able to withstand a potential interest rate rise of, say, 0.5% to 1.0%. The responsibility belongs to everyone. Producers and the banks are actually partners in this case. Too heavy a debt load inhibits potential transfers and leads to the farms being dismantled.

With the mortgages on single-family homes, the legislation has recently been updated to limit the term of loans to 30 years. Similar legislation should be considered for our farm organizations. To avoid too great a debt burden, it is important to limit the term of loans for land purchase. We do not want to see loans extending over several generations because that would effectively mortgage future generations, as well as help to increase the price of the asset. Basically, that is the only effect it would have.

As I was saying earlier, the seller-lender formulas are very successful at the moment. That model should be used more. It provides sellers with security and tax advantages. It also encourages sellers to bring the younger generation into the picture more quickly.

One intriguing initiative would be an interest rebate when the seller-lender formula is applied to assets transferred to younger farmers, whether they are related or not. The rebate could be supported by a government program or a tax credit.

Debt is positive if it creates wealth, but it is an obstacle to transferring agricultural concerns if it is too high. It's all about balance. Nothing is black or white; there is a lot of grey.

In order to be in control of their circumstances, young farmers must have access to assets and must own them. Land ownership allows for loans and for it to be used as a lever to develop the business. By way of comparison, I would say that the same principle applies when homeowners use their equity to get a loan in order to improve their property and increase its value. Tenants, who do not have that lever, do not have the same motivation. History tells us that ownership is a positive factor in economic development.

About three weeks ago, officials from Farm Credit Canada (FCC) appeared before you. They told you about what they can do in terms of loans and about the range of their financial products. However, FCC and other financial players can only react to market needs. As elected officials and members of the committee, you can be proactive by enacting robust legislation to protect our agricultural industry.

Land hoarding is a major constraint on property ownership and, therefore, on credit. Land values increased by almost 800% between 1990 and 2014. This increase is a huge obstacle to starting and transferring farms. In the long term, it is harmful to agricultural entrepreneurship.

In terms of cost, land is a producer's principal tool and principal investment. Imagine if the price of buildings and rents increased at the same rate. Imagine the effect that would have on SMEs like corner stores and hair salons.

At the moment, a good number of entrepreneurs starting out prefer to rent land because they do not have the means to buy it. If this situation continues, people wanting to transfer their farms will only be able to sell them to conglomerates, to integrators. Or they will have no other choice but to dismantle their operations.

● (1145)

Renting can be a solution in some business strategies, but companies like PANGEA, as a random example, are presently trying to have us believe that we can no longer have access to the land and that renting it is the only possibility open to us.

The Chair: I am going to have to stop you there, because the 10 minutes you had for your testimony are up. Thank you for your presentation.

[*English*]

Now we will go to Canadian Agricultural Human Resource Council for 10 minutes.

Ms. MacDonald-Dewhirst, please begin.

Ms. Portia MacDonald-Dewhirst (Executive Director, Canadian Agricultural Human Resource Council): Thank you.

It's a pleasure to be here with you today to highlight the ways in which worker shortages are impacting the industry's growth potential and increasing farm debt.

We all enjoy the benefits of abundant, healthy, safe, and affordable food in Canada due to a world-class food system, one that feeds our 37 million Canadians and a multitude of people around the world. Canada is well positioned as the fifth-largest agriculture and food exporter globally. The 2.3 million Canadians who work in the industry—Canadian farmers, food processors, and workers—drive a significant part of the Canadian economy, contributing $100 billion toward Canada's gross domestic product.

The Canadian government recognizes the importance of this large industry sector, and believes that Canada can grow its position as an agrifood leader by increasing its output of high-quality and trusted agrifood products for global consumption. Budget 2017 and the federal advisory council on economic growth identify the agrifood sector in Canada as a high-growth sector, one that is evolving and expanding due to increasing population growth and increasing consumer demand for the Canada brand.

The federal government's budget for 2017 includes the objective to grow Canada's annual agrifood exports from $56 billion per year to $75 billion per year by 2025. All indications are clear that there is enough demand for Canada's products to achieve this ambitious target within the next eight years. However, our agrifood system relies on people—farm and food businesses and their workers—to grow, harvest, prepare, and package its products. In order to accomplish this objective, Canada's producers will need more workers. Unfortunately, the business of farm and food production is already struggling to find enough workers, and straining to deal with vacancy impacts.

Our research clarifies that 10 years ago, the industry was 30,000 workers short. Today that figure has doubled, and there are clear expectations that it will double again in 10 years. The average job vacancy rate for all Canadian industries is 1.8%. However, on-farm job vacancies are 7%, and vacancies at rural meat-processing facilities are excessively high, at 9.3%. These worker vacancies exist despite extensive efforts by business owners to recruit and attract workers. There are lots of reasons for this. The work typically happens in rural Canada, where very few Canadians live, and the industry involves extensive work that is seasonal. The worker vacancies also exist despite the fact that the agri-workforce is diverse, and includes a significant number of international workers when Canadians are unavailable or cannot be found to fill positions.

Job vacancies within the agrifood industry are very costly on many levels. They have a significant impact on the bottom line, certainly. Although we don't have figures on debt, research clarifies that $1.5 billion in revenue is lost each year for Canada's primary agricultural producers. This figure does not capture the losses for food processors. It's also difficult for businesses to stay open and viable when vacancies are so high. Although demand for products is there, producers can't meet the demand or expand their businesses when critical positions remain unfilled. Vacancies certainly impact the interests of the next generation to get into this business.

The fact that farm and food processors can't fill vacant job positions, despite extensive efforts, certainly calls into question the ability of the sector to achieve the growth targets set out in budget 2017. Together with Canada's agriculture and agrifood labour task force, we have been researching this issue and gathering industry feedback from all commodities and all value chains across Canada. Stakeholders have been clear that labour should be a key priority of Agriculture and Agri-Food Canada's next policy framework, so that together government and industry can drive solutions to ensure that the growth targets set within the federal budget for the industry can become a reality.

● (1150)

Mr. Mark Wales (Chair, Canadian Agricultural Human Resource Council): Thank you for the invitation to participate in your study. I am a vegetable and grain farmer from Ontario and the chair of the Canadian Agricultural Human Resource Council. I am also the co-chair of Canada's Agriculture and Agri-Food Labour Task Force, and together with the other 28 representatives on the task force, I have support from over 85 agricultural associations, companies, and municipal leaders for its proposals.

Ensuring that the industry remains competitive and can grow is our priority. That means figuring out ways to address the labour shortage. Driving up costs and often increasing debt, farmers have made extensive investments in labour-saving technologies including GPS combines used on grain farms, robotic milkers for daily cattle, precision seeding machinery, and drones to monitor crops and orchards.

The industry has invested much more capital per worker than have other Canadian industries, significantly more since 2009.

The industry also values productivity and, according to CAHRC's research, is the strongest performer of any industry sector in Canada. Factors affecting productivity include improvements in technology, land management, seed, fertilizers, and pest control. According to The Conference Board of Canada, this makes agriculture the star productivity performer out of the entire Canadian economy. The agriculture industry realized a 45% increase in productivity, meaning that each worker is producing 45% more today than they used to 10 years ago, due to advances in both technology and production.

Increasing productivity per worker is especially important during a labour shortage. When people can't be found, more must be accomplished by fewer employees. However, productivity improvements are limited and can be very costly especially in the agrifood industry. Machinery and technology investments are very expensive and are making modern farm operations very capital intensive. These investments are needed but increase farm debt significantly, sometimes to the point of squeezing people out of the industry altogether. Those without access to significant capital—typically newcomers to the industry and those who are younger—find it challenging to both enter and compete in the sector.

CAHRC's research indicates that agriculture is unique and that the average age of its labour force is considerably higher than the average age in all other sectors. Agriculture retirements are 60% higher than are those in other economic sectors. After accounting for the fact that workers in the agricultural sector tend to retire later than do those in other industries, the sector is still expected to see 93,000 workers retire between 2014 and 2025. That's more than one in four workers.

At the same time, there is a shrinking number of young people available to work in Canada, and unfortunately, there are fewer young people entering the agrifood industry than there used to be.

So what does all this mean? Agricultural workforce shortages impact debt, competitiveness, and growth potential for the agrifood industry. We know that the labour shortage is costing agrifood businesses $1.5 billion each year in lost farm-gate sales. We know that agriculture is a star productivity performer; however, there are limits to how much we can increase the amount each worker produces. We know that innovation and technology are important for modern farmers to help alleviate worker shortages and support production growth, yet technology and innovation are expensive and drive up farm debt.

We also know that many farmers are retiring and some are retiring sooner rather than later because they can't find enough workers. We know not enough young people are entering industry and that access to capital is harder for them to obtain.

There are important activities that need to be undertaken to reduce farm debt and also to achieve the federal government's objective of increasing agrifood exports to $75 billion in eight years. Agriculture job vacancies need to be understood, and action is needed.

The industry needs more workers, both domestic and foreign workers, and needs more training to ensure workers can keep up with the innovation and technology advances. A career awareness campaign is needed to encourage more of the Canadian workforce to consider working in the industry. As the HUMA committee recommended, what is also needed is improved access to foreign workers so job vacancies can be filled when Canadians are not interested or not available. The labour task force has proposed innovative labour programming solutions, including a dedicated Canadian agriculture and agrifood workforce program that recognizes this industry as a high-growth and high-demand sector. No changes to the SAWP, the seasonal agricultural worker program, are suggested, but many improvements to the agricultural stream and for meat and seafood processors are needed as well.

The Government of Canada needs to assist this industry to address worker shortages, debt, and competitiveness if it hopes to achieve the growth targets set in budget 2017.

Thank you.

● (1155)

The Chair: Thank you, Mr. Wales.

Now from the Saskatchewan Cattlemen's Association, we have Mr. Ryan Beierbach.

You have up to 10 minutes.

Mr. Ryan Beierbach (Chairman, Saskatchewan Cattlemen’s Association): Good morning and thank you for the invitation to speak to you today.

My name is Ryan Beierbach. I ranch near Whitewood with my wife and three children, and I'm chair of the Saskatchewan Cattlemen's Association. With me today is Brady Stadnicki. He's with the Canadian Cattlemen's Association here in Ottawa.

In 2015, the beef cattle industry generated $10.5 billion in farm cash receipts, up 7% from 2014, and it contributed $20 billion to Canadian GDP. If you do some quick math and add on what Portia just presented, that's 20% of what agriculture does in Canada.

Our industry is one of the positive stories in our national economy and it has the potential to continue growing. Global demand for high-quality beef is increasing as economies grow around the world, and we produce the best beef in the world right here in Canada.

Our industry is also an engine for job creation within Canada. In 2011, the beef sector employed 228,811 full-time equivalent jobs, either directly or indirectly. Every job in the beef sector yields another 3.56 jobs elsewhere in the economy. For every $1 of income received by workers and farm owners, another $2.08 is created elsewhere.

I am happy to be here today to discuss some of the business realities in the Canadian beef cattle industry and provide some insight on how we believe cattle producers can be increasingly viable in the future.

Ranching is a capital-intensive business and cattle producers are faced with high start-up costs when entering the industry. These costs include the purchase of land for grazing and growing feed for cattle. Infrastructure is another cost. It can include anything from cattle handling systems, corrals, fencing material and buildings, other equipment needed to harvest feed and grow the feed, as well as the livestock. As a result, debt financing is a business reality in the beef industry.

Investment in the cattle industry is long term. It's a small-margin business with long-term profitability near break-even, which you'll find in just about all the commodity businesses. The Canadian Roundtable for Sustainable Beef in its two-year national beef sustainability assessment found over the past decade the average margins for a 200-head cow/calf herd was $17,559. As a result, many operations have diversified their income, including a high level of off-farm income. The national beef sustainability assessment found that between 74% and 85% of the cow/calf sector relies on off-farm income. A case study on young Saskatchewan ranchers from the Western Beef Development Centre also found that off-farm employment is prevalent among young producers.

This off-farm income plays a supplemental role in bolstering overall income and helps ranchers, especially in the early stages, partake in capital investments while avoiding excessive amounts of debt. It can also serve as a risk management strategy when the cattle market experiences a significant shock, such as a disease outbreak.

As we operate in a small-margin business, it emphasizes the need to remain competitive against the global marketplace if we want to continue to contribute meaningfully to the Canada's economy. In my view, enhancing our competitiveness will also increase cattle producers' ability to be profitable and less reliant on off-farm income when entering the industry and expanding their operations.

While I don't believe the government owes us the right to make a living in agriculture, there is a critical function that government must perform to ensure that producers operate in a very competitive business environment.

We are an industry that depends on trade. Almost half of our production is exported. The ability to sell beef and beef by-products into global markets is crucial to maximizing the value of each animal produced. We estimate that almost $500 per head additional value is generated by selling beef and beef by-products to other markets, where they're valued higher than in Canada.

● (1200)

Having competitive market access into major beef importing countries in the world is key for bolstering profitability. The beef industry is encouraged to hear that policy-makers in Ottawa want to grow Canada's agrifood exports over the next decade.

In order to be competitive in the long term, the cattle industry in Canada must also have access to cutting-edge technology. Productivity will be key as we compete with other high-quality beef exporters. This is where investment in research and innovation is critical. It helps us to lower our cost of production and become leaders in environmental sustainability. To this end, I strongly recommend that the beef science cluster continue to be funded and expanded.

Cattle producers face price and weather risks, as well as the risk of interest rate increases, and must therefore plan carefully to avoid a disaster. Young producers in the start-up phase of their operations are vulnerable, especially when they're leveraged with debt. Having access to tools like the western livestock price insurance, hay and pasture insurance, AgriStability, and the entire suite of business risk management programs is critical to help manage the risk. These tools are also helpful for young producers to secure financing to start up or expand their operations. I purchased my farm 15 years ago, and the next year we had the first case of BSE in Canada. I'm very aware of what risk does when you're highly leveraged. It's a difficult hole to dig out of.

Our regulatory environment plays a huge role in determining our global competitiveness, and ultimately our profitability. Government regulations must not unnecessarily burden producers, but rather be based on appropriate management of real risks and accurate analysis of the costs and benefits of these regulations.

If there's a shortage of people working in the agrifood processing industry, those losses from not processing trickle down to the cow/calf producer at the bottom. We need to make sure that those workers are in place to keep the system efficient.

As an industry, we have been working to increase knowledge transfer between experienced and young cattle producers through the cattlemen's young leaders program and the Young Cattlemen's Council. I have participated in both of these programs and see the value in helping to develop young leaders and mentoring producers in the industry, so that they have a better understanding as they get in.

In closing, I would like to acknowledge that there are many challenges that ranchers and young producers face when entering the industry, such as high capital costs in the form of land and infrastructure, and, in many cases, the reliance on off-farm income.

From my experience, debt isn't really the issue, as long as income levels let producers service that debt and remain profitable. To me, the key things are increasing competitiveness and reducing risk to increase competitiveness. We can reduce the cost through less regulation and the right regulations, increase price by having all the export markets open and the labour to do further processing, and reduce risk with price insurance and adoption of best management practices. Research is kind of the overarching thing that ties all this together and gives us the ability to operate in the best environment possible.

Thank you.

● (1205)

The Chair: Thank you so much, Mr. Beierbach.

Now with the reduced time, if it's okay with everyone, we will reduce the question time from six minutes to four minutes. That will give us a chance to do a full turn.

If we're okay with that, we'll start with Monsieur Gourde for four minutes.

[*Translation*]

Mr. Jacques Gourde (Lévis—Lotbinière, CPC): Thank you, Mr. Chair.

I would also like to thank the witnesses for joining us today.

My question goes to Ms. Lalancette.

At the end of your remarks, you talked about hedge funds that buy up land and drive up the price. You did not have the time to go into that in depth. I would like to know what you think about it.

More specifically, what do you think about the fact that young farmers have to rent their land instead of buying it, and about the long-term consequences that may have, in that they will never get to own that land?

Ms. Michèle Lalancette: I am sure you know that that has been a crusade of ours in Quebec for several years. The long-term effect of the situation, which is more and more common, is that young people will never have agricultural assets, just as you just said. They will never be owners, just tenants. Basically, we are going back to feudal times when we just worked the land for someone else. To me, that is not the solution.

As I told you just now, agricultural land is the only capital producers have in order to invest in their businesses. When land costs increase quickly but revenues do not, it’s a problem. The witness mentioned that just now.

Carrying debt is not so serious as long as revenues are coming in. Currently, however, that is not what we are seeing. The value of agricultural assets, most of which are made up of land, has increased by 158%, while agricultural revenues have increased only slightly, by 1.04% in the last 10 years. The gap is really out of proportion.

Mr. Jacques Gourde: It seems difficult to reverse the trend of speculation that is affecting the value of agricultural land. However, have you looked at any models in which the speculators could work to your advantage, rather than getting in your way? For example, you could own the land and issue shares, or set up part of it as a trust, instead of it being the opposite. In that way, you would remain owners of the land, you would let the speculators have fun speculating, and you could use the money to finance your own land.

● (1210)

Ms. Michèle Lalancette: We are not saying that no model is possible. However, we have been looking at different models for four years, and we have not found a single one that has met the needs both of young farmers and of speculators. One of the two always has to compromise a lot. Often, it is the young farmer. I am not telling you that we are closed to that idea, but we have not found the solution yet.

Mr. Jacques Gourde: Do you have any help? We know that the matter of money for agricultural land is in provincial jurisdiction. Is your provincial government open to the idea of restricting speculation, reversing the trend, or providing tools that would turn the situation to your advantage and to the speculators' advantage? Otherwise, come the day when the speculators want to sell the land, there will be no one left to take it.

Ms. Michèle Lalancette: That is our big concern: there is no long-term vision. At the moment, it is still a marginal problem that is not too bad. However, it is becoming worse and worse. Perhaps it is not so much of problem at the moment, but what will things be like in 50 years? Who will be there to buy land in 50 years? There is no long-term vision and I feel that is a shame.

To answer your question, I will say that government representatives often tell us that they are going to help young farmers get financing more easily. That is just going to increase their debts. That’s disgraceful, in my opinion.

We are often told that, under the Canadian Charter of Rights and Freedoms, no one has the right to restrict anyone’s right to ownership. As things stand, that is what is preventing limits being placed on speculation, despite the fact that we think that there are ways to achieve it.

The Chair: Thank you, Ms. Lalancette.

Thank you, Mr. Gourde.

Over to you, Mr. Breton.

Mr. Pierre Breton (Shefford, Lib.): Thank you, Mr. Chair.

Thank you all for being here today and for your testimony.

I would like to continue with Ms. Lalancette and Mr. Pagé.

You have talked about debt a lot, of course. That is what we are here to talk about. It is a challenge for young people who want to get into the agriculture business. If you were in our shoes, in the government, which programs or initiatives would you establish in order to make access to credit easier for young farmers, for new agricultural entrepreneurs?

We know that the price of land has skyrocketed. It is getting more expensive all the time. At the same time, we need young people to take that land

I will give you a minute or two for your reply.

Ms. Michèle Lalancette: In terms of access to land, we have to find some way or other to give priority to young farmers rather than speculators. There are a various models. All sorts of things are out there. You could study some of them.

We had already thought of one measure in particular. We also spoke to Mr. Poissant about it; he is here with us today.

What did we call that, again?

Mr. Philippe Pagé (Interregional Coordinator, Fédération de la relève agricole du Québec): It would be a kind of assistance. Emploi-Québec has something for self-employed workers already: people starting to work for themselves can receive a kind of salary for a certain period of time. We thought it would be a good idea to have the same thing in agriculture. We could perhaps use employment insurance money so that a young person deciding to start up an agricultural business can work on it full-time.

Ms. Michèle Lalancette: The FCC surplus could be used.

Mr. Philippe Pagé: We thought that there was perhaps a way to study that possibility. It would mean that young people could work full-time on their farms and devote themselves to their businesses completely, right from when they start. Currently, people often have to do that part-time.

Ms. Michèle Lalancette: They have to have outside income. So they cannot devote themselves fully to their farms and put all their energy into developing the business in the first years.

That is one of the solutions that appealed to us.

Mr. Pierre Breton: Thank you.

Ms. MacDonald-Dewhirst, Mr. Wales, There has been a lot of talk about a labour shortage. It is a problem, as you have pointed out. It is a problem today but it seems that it will also be a problem tomorrow and the day after. A lot of groups have told us about the challenge in recent months, in the course of the various studies the committee has been doing.

There is also the immigration question, temporary foreign workers. In addition, we have to make young men and women like agriculture.

What are you doing on your end? How are you working with the various groups, the producers and processors? We have to remember that these are individuals who may be able to do something about the labour shortage, at least in part.

● (1215)

[*English*]

Ms. Portia MacDonald-Dewhirst: That's a good question. I'll start.

At the Canadian Agricultural Human Resource Council, we do extensive research on improving access to the industry and improving the knowledge that it is a great place to work. Agriculture is a great business to be in. There's lots of potential, it's a growing business, and there is growing demand, so we need to celebrate that more and explain that more.

The Chair: Unfortunately, Ms. Dewhirst, we're out of time.

Maybe you can follow up later.

[*Translation*]

Ms. Brosseau, you have four minutes.

Ms. Ruth Ellen Brosseau (Berthier—Maskinongé, NDP): Thank you, Mr. Chair.

[*English*]

I'll let you finish quickly, if you want to.

Ms. Portia MacDonald-Dewhirst: We are doing extensive research on working with under-represented groups—women, persons with disabilities, new Canadians, etc.—and with all the different commodity associations—cattlemen, etc.—and trying to collect the best practices on how we can engage all of these Canadians and get them interested in doing this work. Part of it is about ensuring that new Canadians as well as young Canadians know we're open for business.

Ms. Ruth Ellen Brosseau: I would like to thank all the witnesses for their presentations today on this important study on farm debt.

Mark Wales, you spoke about the need to improve access to foreign workers. I think we're all on the same page. You said we need changes to the ag stream and improved access to workers in the meat and processing.... Can you elaborate on that, please?

Mr. Mark Wales: That's really important. One of our challenges as farmers is that if we don't have a supporting processing business to take our product.... The best example would be that a lot of the meat processing plants are operating at about 75% capacity with some of the restrictions put on them previously under the temporary foreign worker program. With a lot of their value-added and their most highly profitable lines, they've had to take people off those lines just to keep their main lines running in the meat processing plants, which very quickly means they become unprofitable. Any processing facility that is not profitable for very long is soon gone, and we lose one more market for what we produce. That's very important.

We need a balanced supply of labour, so it's not just about temporary foreign workers. It's about women and agriculture and all the underutilized parts of Canadian society. Also, as Portia mentioned, young people need to know that there are some really exciting careers in agriculture. It's long been lacking in the education system. We need to get to the full gamut, right from primary school through to guidance counsellors.

There are really great places to work and very technical jobs in agriculture. It's not just the grunt work people think agriculture is about. There are some really good-paying jobs. There are some really good career opportunities. It doesn't matter whether it's HR or marketing. It's working with people. As farms get larger, we need a lot more people with HR skills. That's something farmers typically lack. No farmer hires people by choice, and no farmer is born a good HR manager.

Ms. Ruth Ellen Brosseau: I don't know if you will be able to answer but I wanted to ask you a question about the Perishable Agricultural Commodities Act, PACA. I know you are from Ontario. Are you in vegetables and fruit production?

Mr. Mark Wales: Yes, I'm wearing one of my crops, garlic, and I'm a hot pepper producer as well.

Ms. Ruth Ellen Brosseau: Are you familiar with the PACA?

Mr. Mark Wales: Yes.

Ms. Ruth Ellen Brosseau: Can you maybe talk about the importance of having that in place? I know it was brought forward before committee and there's been great study on this.

● (1220)

Mr. Mark Wales: That's a very critical issue for the horticulture sector. Canadian producers have had coverage when they sell their produce into the U.S. market. We've had it for the better part of 40 years. It guaranteed that as a producer you got paid, really, before anybody else. It was an incentive to make sure that whomever you were selling your product to paid you and didn't abscond with the money.

It's long been promised by Canada that there would be reciprocal protection for U.S. producers here. I believe that was part of the agreement between Prime Minister Harper and President Obama, that this would be in place. It has not happened, and as a result the U. S. government has removed PACA protection for Canadian producers. You may now have to wait a long time to get paid, if ever, for your produce.

The Chair: Thank you, Mr. Wales.

[*Translation*]

Thank you, Ms. Brosseau.

Mr. Drouin, you have four minutes.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you, Mr. Chair.

My first question is for Ms. Lalancette or Mr. Pagé.

In terms of succession, have you conducted an analysis on how many agripreneurs—as they are called—have a business plan and succession plan? Many farmers are now incorporated, and I see that a number of them do not have a business plan yet. This situation is not unique to agriculture. This is also the case for SMEs. Succession plans are not as widespread among SMEs as we would like.

Could you elaborate on that? Do you do promotion to encourage people to develop business plans and succession plans? These are important.

Ms. Michèle Lalancette: Yes, we do a lot of promotion.

Actually, 80% of the new generation have a college diploma or a higher education degree. The business plan is an integral part of those courses. The new generation is trained to develop business plans, but the previous one was not. Often, when a young person suggests to dad or mom to draft a business plan, they have no idea what it is. So we present that to companies.

It goes without saying that succession plans are, in fact, non-existent in most cases. That's what we're trying to promote the most. It sounds a bit ironic, because we are the Fédération de la relève agricole. Now we are working to ensure that the sellers are ready to retire and make room for the next generation. That's part of our job.

Mr. Francis Drouin: Are you also aware that there are still some issues? The fact that the business is family-run can already be very difficult. Children do not always get along with mom and dad. Are you aware that this is an issue? Are there strategies to get people to agree on a model?

Ms. Michèle Lalancette: In Quebec, for more than 20 years, we have what are called CREAs, the Centres régionaux d'établissement en agriculture in Quebec. They bring together people with a lot of experience in providing support during transfers. Those people use their knowledge in human relations to make the seller and the young person talk about their aspirations, their vision of the business, in order to guide them toward a common project.

Right now, we have a project called Arterre, which will put potential sellers in contact with those who potentially represent the future generations, but who do not necessarily know each other, since the next generation is less and less in the family, since families are smaller. So more people from the next generation might be unrelated. This may seem curious, but it is often easier to find an unrelated next generation farmer than one who is related.

Mr. Philippe Pagé: We often hear from people who are selling or dismantling their farms that there is no one to take their place. That is not true, it is a myth. They exist, but it is necessary to connect those who wish to sell their farms and those who could take them.

Ms. Michèle Lalancette: The challenge is to connect them and then establish the transfer, making the transaction feasible.

Mr. Francis Drouin: I have often seen models that work very well. For example, once the company has been established, the parents remain partners, but the children also become partners. At some point, the parents will no longer be there, but, until that time, they have a role. Those transfer models work very well.

However, when parents want to sell the entire farm because they want the lump sum for retirement, problems may arise.

Ms. Michèle Lalancette: That's why I was just telling you about the seller-lender formula, whereby parents are no longer shareholders of the business but retain ownership of the loan that the young person reimburses gradually. The young person therefore does not have a large amount to pay at once. In Quebec, the Financière agricole protects those loans.

[*English*]

Mr. Francis Drouin: Am I done, Chair?

[*Translation*]

The Chair: Yes, thank you. The four minutes are up. That’s not a lot of time, is it?

[*English*]

Next is Ms. Lockhart, for four minutes.

Mrs. Alaina Lockhart (Fundy Royal, Lib.): Thank you, Chair.

I thank all of you for being here today and giving us your different perspectives on farm debt.

I want to talk about workers. I come from a human resources background, so it makes sense for me to talk about that.

Can you talk to me about the investment in hiring someone new? We've talked about temporary foreign workers, for instance, or even seasonal workers, and how it's important that they return year after year.

How much cost is associated with the training and turnover of employees in farming operations?

● (1225)

Ms. Portia MacDonald-Dewhirst: That's a really good question. The cost of hiring and the impacts of turnover on a business are often very much underestimated. The estimates are all over the place in terms of the figures. We've done some research on that, and we have cost of turnover calculators so that those who are in this industry can assess exactly how much it costs for them to lose somebody on their farm and in their location.

What you're losing is all the time and attention you spent on creating job descriptions, doing the ad, sifting through the applicants, interviewing them, getting somebody into the position, and then training them. When they leave, it has an impact on your business, your production, your customers, and your other staff. If you have to put anybody in place to cover their shifts, it can be quite costly.

It's really important that businesses understand how to do that, and how to do that well, so we offer some training around that but also some tools.

Earlier, there was a question around succession planning and how many people have a plan in place. We've done some research on that. Only 25% of farms have an HR plan, and of those, only 25% actually ever update it.

That could mean that at one time they created a plan, but it's something like a business plan that needs to be constantly thought about, updated, and planned for, so that you have the right people in the right positions to take your business to where you want it to go in the future. Hiring Canadians for the positions is always the first priority, but when you can't find them, it absolutely does apply to the international workers you're bringing in.

Mrs. Alaina Lockhart: Great, thank you.

One of the slides you presented here was “Invested Capital per Worker has Surged in Agriculture”. Can you talk to us about the significance of those numbers? It is drastically different for agriculture versus other sectors.

Ms. Portia MacDonald-Dewhirst: We've done some significant labour market intelligence for the industry. We know that all sectors are investing in their workers, certainly—they are investing in their businesses and in training workers—but in agriculture, because there have been shortages, the capital-per-worker investments have skyrocketed. That includes things like the cost of putting a robotic milker in place in a dairy barn because you don't have enough workers and you can't secure that those positions will be filled. You're unable to invest in the worker and instead you're investing in technology to replace that worker. The point there is that, although it has increased significantly and it's higher than in other industries, there is a point at which it can't increase any more, and I think we are near that tipping point. You still need people in order to care for animals and direct the activities, especially of those technologies, and now you're going to need new kinds of skills in order to do that.

Mrs. Alaina Lockhart: That's very interesting. Thank you.

The Chair: Mr. Anderson, you have four minutes.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): I want to thank the witnesses for being here with us today.

We had a private member's bill come before the House that would have made it easier for family transfers, and I'm sure it pained our colleagues across the way to vote it down.

I have a very short time here, but I'm interested in any suggestions you might make on taxation changes that would assist transfers. I'm speaking to the two farm groups primarily. Do you have something to suggest specifically about taxation issues? You mentioned deep discounts to interest rates. That would be one suggestion. I'm wondering if you have any other suggestions about taxation changes we could recommend to the government that would help with those kinds of matters.

Mr. Mark Wales: I can start with that answer very quickly. The intergenerational transfer of assets is critical. Expanding the definition of family to allow for other family members, rather than just sons or daughters or whatever, is going to be critical, because it may not be your children who take over the farm but it may be your brother's or your sister's children, or even their children. Expansion of the definition of family is something that I think most of the farm groups have been seeking for some time, so that's one thing that would be a big help.

● (1230)

Mr. Ryan Beierbach: All farm income is a big part of how a young producer gets into it, and there are things that limit your ability to use your farm costs to offset your income that's earned off the farm. Allowing all the money that you use on your farm to be written off against your off-farm income would help.

As far as ways to transfer it without a huge tax bill are concerned, one is possibly allowing multiple-year buyouts without having to be creative when you have an older gentleman who maybe doesn't have a family member who wants to take over, but somebody outside wants to buy it—allowing him maybe 10 years and ways to secure the person selling it and still allow him to spread out his tax load, providing an incentive to do that rather than just do a straight cash sale.

[*Translation*]

Ms. Michèle Lalancette: The bill was definitely very interesting. There must be a way to bring it back to the table or to introduce another one. Either way, it would have to be more advantageous for farms to be transferred, not dismantled. You are the experts who can make it more beneficial for sellers to transfer their farms to someone, whether related or not, than to dismantle it and sell it in pieces.

That's what I had to tell you.

[*English*]

Mr. David Anderson: We just have a short period of time here.

You talked about the importance of being able to own the land. I think there was testimony at the last meeting that 40% of land is currently rented in Saskatchewan and other places. Leased land and those kinds of things are available.

I'm just wondering about your perspective. Do you feel it's critical that the producers own the land? I'd throw that over to Ryan as well, because he is a producer as well. If the folks in the middle want to answer that, that's fine, but I'm just interested in hearing from producers. Is it essential that we own that land as producers or not?

Mr. Ryan Beierbach: On my operation, I have a mix of owned and rented land. The benefit of owned land is that you have a lot more stability. You have the ability to use it to finance other things, and once you have some of it paid off, you have some equity there. You also know for sure that you're going to have it 10 or 20 years in the future, so you can do some long-range planning. With rented land, the person you're renting it from could pull it away at any time. That makes it a little more difficult to plan out. To me, it's critical to own at least some of the land. The model it's moving toward is probably more of a combination of owned and rented land, I think.

[*Translation*]

Ms. Michèle Lalancette: I quite agree with Mr. Beierbach. Yes, it is necessary to own at least some of the land, which can be capitalized.

I have nothing else to add.

[*English*]

Mr. David Anderson: You talked about a 45% increase in worker productivity.

The Chair: We're out of time, but I would allow Mr. Wales to comment on that last question.

Mr. David Anderson: I wonder how you see that productivity improving in the future. Do you see that kind of percentage being achievable in the future?

Mr. Mark Wales: It's going to be very difficult. As Portia mentioned, our slide here clearly shows a ramping up of farm debt, in terms of investment in machinery, since 2009. However, there are limits to that. You can only get so technical and so big.

With regard to land ownership, I would agree with everyone that the future will be a mix.

Just remember one thing. When we're talking farm debt, today you can borrow money at a couple of percent. I recall 23.75% on my operating line, and that is a truly frightening place to be as a farmer.

The Chair: I recall those days also.

Unfortunately, this is all the time we have. I want to thank the panel for being here today, for taking the time to talk to us about the situation on the farm.

We will take a few minutes to clear the room, and then we'll come back for business.

Thank you, Madame Lalancette, Monsieur Pagé, Ms. Dewhirst, Mr. Wales, Mr. Beierbach, and Mr. Stadnicki.

[*Proceedings continue in camera*]