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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.)): Good morning. I call this meeting to order.

Please take your seats and we'll get going. We're already short on time.

[*Translation*]

I'd like to welcome our first group of witnesses. Mr. Marcel Groleau is the chair of the Union des producteurs agricoles du Québec. He is accompanied by Ms. Florence Bouchard-Santerre. We also welcome Ms. Peggy Baillie, executive director of Local Food and Farm Co-ops.

Welcome to you all.

You will each have a short period of four minutes to make your presentation. This will give us more time for questions.

Mr. Groleau, you will have the floor first, for four minutes. You may share your speaking time if you wish.

Mr. Marcel Groleau (Chair, Union des producteurs agricoles): Good morning, everyone. Thank you for having us.

The Chair: I'm sorry; you have 10 minutes each. It is the question period that will be four minutes long. You may take up to 10 minutes for your presentation.

Mr. Marcel Groleau: Fine, thank you.

While I was thanking you, I was thinking about how we are going to do this.

So, good morning to all of you, and without further delay, may I thank you for receiving us and for giving us the opportunity of speaking on the issue of debt.

I am going to ask Ms. Bouchard, who is accompanying me, to summarize the brief we tabled on this topic.

Ms. Florence Bouchard-Santerre (Advisor, Agricultural Research and Policy – Economics, Union des producteurs agricoles): Good morning.

When the Union des producteurs agricoles was invited to take part in this consultation, our thoughts rapidly turned toward the reasons that cause agricultural producers to incur debt. With a particular focus on the new generation and those who will be passing on their farms, I will present the results of our reflexion, together with the potential solutions we identified.

First of all, our economic sector has its own particular characteristics that could be grouped under the theme of “the farm problem”. It is made up of inelasticity in demand, and an offer made by multiple sellers to a few buyers. The agricultural sector works with living beings; we function with fixed assets that are production-specific. The weather is also an important factor. New risks have appeared these past few years, either involving markets, climate change or biosecurity.

Among these characteristics is the strong capitalization of the agricultural sector, as compared to the income derived from the production. In Canada, $8 in assets are needed to generate $1 in agricultural revenue. In Quebec, according to our research, we estimate that up to $15 in assets may be required to generate $1 of income in some productions.

In addition, another characteristic of the sector is that 67% of young Quebec farmers have taken over existing enterprises, whereas in all economic sectors combined, that proportion is only 10%.

Currently, the financial situation of Canadian farms is good. The debt ratio has remained low for several years. It was 15.4% in 2015. As the representatives of Farm Credit Canada explained in a previous meeting, the low interest rates, the projected revenues and the leeway farms currently have mean that they can manage their financial risks.

Our analysis of the last few years also allowed us to determine that total assets have grown at the same rate as average net income per farm, if you compare 2001 and 2011. However, since the number of farms has decreased, average assets have more than doubled, mainly because of land value. This means that the average acquisition cost has increased by about a million dollars as compared to 2001, for the new generation that started up in 2011, in a context where income has not matched the growth in the total value of assets.

In Quebec, 43% of young farmers who began farming between 2006 and 2011 started their own farm, that is to say almost as many as those who took over their parents' farm. This new generation cannot necessarily count on assets that are already adapted to their market production. This means that the initial investment can be large, even if the farm is small.

We also wanted to look at what was happening among our competitors. As an example, debt has been historically lower in the United States than in Canada. However, as opposed to our situation, the value of assets and the net revenue in the U.S. is declining, while debt is increasing. In France, farm debt is currently about three times higher than in Canada. The crisis in the livestock sector and market prices do not allow producers to cover their production costs.

We can consequently say that the financial situation of Canadian farms is generally good, and revenues are interesting. However, we must remain vigilant. For the young generation of farmers, access to production assets is increasingly difficult. It is this last factor that concerns us.

We asked ourselves other questions in order to further our analysis. We wondered, among other things, why farmers went into debt.

The reply to that question is that several indicators point to agricultural land. When we analyze available data, we see that the value of the land and the long-term liability increase much more rapidly than the value of other assets. Agricultural lands represented 81.5% of agricultural sector assets in Canada in 2015, that is to say 12% more than 15 years ago. That is a very high percentage.

Concerning the reasons behind Canadian farmers' debt, we feel there are several. The main reasons given for purchasing, by 50% and 27% of Quebec farmers respectively, is to ensure the sustainability and succession planning of farms.

By the same token, more than one Quebec farm out of four in a transfer situation diversified by adding a new production, a processing activity or an agro-tourism activity. New farmers have no choice but to incur debt. What is worse is that in almost all of the simulations done by the Union des producteurs agricoles and the Fédération de la relève agricole du Québec, borrowing capacity based on farm revenues and the aid measures that exist, was insufficient. The down payment or donation required are disproportionate. I invite you to consult the brief we presented to the Quebec Minister of Agriculture in October 2015.

Farmers invest to improve their productivity and competitiveness. In fact, several factors are involved in the success of entreprises: adapting to climate change; improving production techniques; managing risks; improving lands; improving animal genetics, and several others.

Producers must also acquire or update assets in order to comply with industry standards, government regulations, and consumer expectations. All of these regulations and measures, in addition to creating an additional workload, often mean an increase in production costs that are not offset by the market, or distribution. This situation requires continuous investments to meet the demands of the market and the state.

As an example, a 2016 Nielsen survey showed that 43% of citizens everywhere in the world think that GMO-free food is very important, but only 33% of them are willing to pay more for GMO-free food products. In short, Canadian farmers work in an extremely fluid environment, where they must invest significantly in order to adapt.

Following these observations, we asked ourselves what could be done to limit debt or to amplify its leverage effect. The first effective action would be to provide increased support for risk management. Currently, for some, the context is not optimal. Supply management is under daily attack, and risk management programs do not adequately meet the sector's needs.

In order to support farmers in the face of these challenges, it is essential that we protect supply management, and review and improve risk management programs. Access to production assets, particularly for the new generation, is another front where action is urgently needed. In this regard the acquisition of agricultural land by investment funds has a significantly adverse effect on the sustainability of our agriculture, because a young farmer's financial capacity cannot compare to that of an investor. The media have reported several examples in Canada of speculation and its effect on the value of land, and the adverse consequences of this speculation.

In Quebec, the transactions of the past few years have been such that we would only need 560 investors like Pangea, the largest among them, to replace the 28,000 farms in the province.

It is imperative that we establish a detailed picture of the situation, and devise a mechanism to follow these transactions; we must also ensure that the provinces protect agricultural land consistently, for instance by urging them to use regulatory tools, and we must put patient capital at the disposal of young farmers.

Other measures need to be considered to help the young generation acquire production assets, in a context where their value is increasingly disconnected from the revenue that can be derived from them. For instance, the small costs of risk management programs increase liquidities and borrowing capacity by eliminating certain expenses, and improving programs would help to increase and stabilize the incomes of young producers.

The Union des producteurs agricoles also believes that it is crucial to support farmers so that they can make the required changes in their business environment. Currently we see that assistance by way of subsidies to acquire assets is evolving and being replaced by loans at preferential rates. It is important that you adequately support the agricultural sector in its attempts to adapt and innovate, through programs to support investment assistance.

● (1145)

Finally, in the majority of cases, the farmer who is leaving production counts on the sale of assets to fund his retirement. That situation can easily be compromised. Aside from increased support for transferors, and implementing the measures presented above, which would reduce debt and facilitate the transfer, further actions could be taken.

For instance, there could be a refundable federal tax credit on the interest paid by the new generation to the vendor in vendor-borrower agreements, or an amendment to the Income Tax Act. In fact, section 84.1 of the act penalizes both the transferors and the buyers, and jeopardizes the survival of some family farms.

In conclusion, the Union des producteurs agricoles feels that the reduction of farm debt has to be approached proactively and not in a reactive fashion. The agricultural sector and the economy need to be supported by a better income safety net, by protecting supply management, through solid risk management programs, measures against the takeover of agricultural lands, and measures to help the new generation acquire the necessary assets. We also need investments in research, in knowledge transfer, in consultant services, subsidies to help farms adapt, and measures to help those who want to transfer production prepare for retirement.

These are the measures that will allow the agricultural sector to adapt to changes in its environment and develop in a sustainable manner, through the work of the new generation. With that type of support, rather than being held back by their liability, agricultural producers will be able to continue using debt as a lever to increase their profitability.

We hope that the advice and recommendations we've provided will be useful to your reflection on farm debt and the measures needed, such as those to ensure the transfer of assets to the next generation.

Thank you.

The Chair: Thank you, Ms. Bouchard-Santerre.

I now give the floor to Ms. Peggy Baillie, from the Local Food and Farm Co-ops.

You have 10 minutes.

[*English*]

Ms. Peggy Baillie (Executive Director, Local Food and Farm Co-ops): Hello, *bonjour*, *aaniin*. Thank you for inviting me to speak with you today on behalf of the co-operative food sector. This is my first opportunity to speak to any federal committee, so I am truly honoured.

In coming here today, I would like to explain to you, from the co-operative food and farming sector, the state of agriculture and how it is translating into the impact on the co-op sector as a whole. Linked to that, I would like to share with you how co-operatives are addressing challenges raised by agricultural debt through co-operation.

● (1150)

Local Food and Farm Co-ops is a second-tier co-operative that supports the growth and development of co-operatives with the shared purpose to increase production, sale, and marketing of local foods. We work with more than 90 businesses, from farms, to stores, distributors, and processors. All are unique, but all share the common purpose to support local food producers.

As a result, my work in the food and agriculture sector has been mainly involved in the subsector of crops produced for human consumption. It is from this perspective that I will speak to you today.

As you well know, there's been an increasing demand for regionally produced foods across North America in the last 10 years. This increase has been confirmed as not only a trend in consumer spending, but also a change in consumer patterns as people become more aware of the impact of food on the health of themselves, their families, and the planet.

In response to this increasing consumer demand, we're seeing farm start-ups and transitions to direct marketing of food for human consumption, which is a positive reflection of growth in the ag sector. However, there are a couple of key challenges that exist, which put these new businesses at risk.

We are seeing many new entrants starting up these farms coming from non-farming backgrounds, many coming from an urban upbringing, with non-related post-secondary degrees and pre-existing debt. While we encourage the entrepreneurship of these new farmers, they come to the sector at a disadvantage due to a lack of business management knowledge and weak financial start-up as they purchase and develop their farm enterprises.

The second key challenge is that access to capital and financing for these new entrants can be very challenging or impossible due to risk assessments of non-commodity-based food and agriculture ventures. New models of agriculture are not tracked and valued in the same way as commodity markets, leaving them to be assessed as high risk. Therefore, new entrants are forced to pay large down payments on land with high values and use high-interest financial vehicles, such as credit cards and lenders, to finance their expansion. This lack of access is compounded by pre-existing debt. In a sector with small margins, this creates a challenging environment for sustainable business growth and development.

I think it's also important to note that these new entrants are not always accessing the business start-up resources that are available to them. This includes business guidance and advice, management training, advisers, business mentorship, and programs. As agriculture is a unique field of work with specific risks and constraints, a lack of knowledge around best management practices puts these new operations at risk.

Unless new entrants are coming into the sector with pre-existing business management knowledge, there is an increased likelihood of developing financial management practices that may not be in the best long-term interest of the farm, including acquiring debt.

The third key challenge is that the middle infrastructure that supported food-producing farmers in previous decades has degraded due to the import-export-focused food industry. This infrastructure included distribution channels, wholesale markets, and value-added processing. Since this middle infrastructure isn't present, these enterprising farms are forced to develop these channels, while also producing food, which can result in the farm business being spread thin as they try to find the appropriate market channels for the volume of food that they need to sell to be at a scale that is financially sustainable.

Therefore, pre-existing debt, compounded with a lack of access to financial capital and middle-market infrastructure, creates an environment for risk for new farmers and expanding entrants into the food and value-added agriculture sector.

How does this relate to co-operatives?

Co-operatives are developing across the country to strengthen these farm enterprises while addressing these three factors: lack of knowledge, lack of finances, and lack of infrastructure. Food and farm co-operatives are developing at such a rapid rate that the subsector is the fastest growing co-operative sector in the country.

Co-operatives are playing an important role as they allow members to pool resources to have accumulated capital, including social and financial, for shared value. This can translate into the development of shared infrastructures such as storage and processing, land ownership as we're seeing in farm worker co-operatives, and market, such as retail and distribution co-operatives. These new co-ops are responding to community needs of farmers, and are doing so in a structure that reduces risks and increases long-term sustainability of the business models, as co-ops have a higher rate of success compared to any other business model.

● (1155)

The development of co-operatives allows farmers to avoid taking on debt to service these business expansion needs of their businesses by pooling resources. An example of this is the development of a new grain storage and handling co-operative in the Algoma region of Ontario, where farmers are jointly investing in storage infrastructure that will meet all of their needs at an economy of scale rather than individually purchasing small-scale, high-cost infrastructure for their own farms. By jointly investing, they have the scale-appropriate infrastructure that will allow the regional sector to expand; whereas, should they work independently, the regional economic impact may not be as great purely due to the fact that the farms have to access debt to finance their expansion, and that return on investment would be over a longer period.

Food and agriculture sectors across Canada are also developing financial co-operatives to create pool loans specifically designed to meet the needs of food and farm enterprises to address those who have a lack of access to capital. FarmWorks Investment Co-op in Nova Scotia is an investment vehicle for Nova Scotians to invest in regional food enterprises through loans that are disbursed by FarmWorks. In five years FarmWorks has disbursed $1.4 million to over 60 businesses at favourable interest rates.

The value of financial co-operatives in rural communities is important as they may be serving not only as an economic driver, but also as a moderately priced lending mechanism. As financial co-operatives are not profit-driven as banks or investors, they may be able to offer lower interest rates than other agencies. For farm and food enterprises, this is important.

Another advantage that co-operatives have in supporting these new enterprises is the embedded philosophy to educate their members. Through working within a co-operative, farmers are able to learn from each other through business learning initiatives. This allows them to learn as many businesses together, reducing isolation and improving regional sector capacity.

As these co-operatives are developing to meet the needs of their communities, it requires the tenacity of their members to overcome the barriers to establishment. Co-operatives still face many barriers through the life cycle due to a lack of common understanding of the co-operative model. This creates challenges in incorporation, reporting, government relations, and access to matching capital.

We have seen through the co-operatives that have been developing over the last 10 years, as well as those long-standing co-operatives that have continued to serve the sector for over 50 years, such as Federated, FS, Arctic Co-ops, and many more, that co-operatives can play an important role in supporting farm enterprises to store, process, market, and finance their businesses. Without the appropriate supports, co-operatives are less likely to develop. In the province of Quebec, we are seeing a strong growth of food and agricultural co-operatives due to strong support by the provincial government as a means to increase economic sector growth. Through appropriate supports within government and regional development agencies, we can encourage the growth of co-operatives to meet the needs of communities and farmers.

Looking forward, to support the financially sustainable start-up and expansion of farm enterprises, co-operatives can play an important role in increasing community wealth, mitigating risk, and increasing economic stimulation through shared assets. If we look at how to increase the knowledge of the co-operative model within regional economic development agencies and to support the development of co-operatives through programs, supports, and funding, we will see an increase in these initiatives that will improve the well-being of communities across Canada.

I look forward to any questions from the committee. Thank you. *Merci.Meegwetch.*

The Chair: Thank you, Ms. Baillie.

I want to welcome two committee members, Mr. Eyking, who's a past chair, and Mr. Casey from P.E.I.

We'll start the round of questioning.

[*Translation*]

Mr. Gourde, you have four minutes.

[*English*]

We'll go with four minutes.

[*Translation*]

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

Let's get straight to the point. What factors could influence farm debt? For instance, in Quebec we often hear about the fact that the cost of land has increased tremendously, but are there also other factors that may have an impact?

Mr. Marcel Groleau: Equipment now costs much more than before. Equipment has to be updated, and robotization and seed also cost more. There has been a decline in competition among the main seed providers. I would say that in the past 10 years or so, the cost of seed has more than doubled. The cost of fertilizer fluctuates. The cost of potash had increased considerably, but that has come back to more normal levels. Those are the main factors.

As mentioned several times in our brief, the current value of agricultural lands has an important impact on the debt level of farms that are going through consolidation, or just getting started. Our colleague also explained that. The value of land has an impact, and is in fact the most important factor.

● (1200)

Mr. Jacques Gourde: I think that in the case of a farm transfer, taxation also plays a major role.

Mr. Marcel Groleau: Yes.

Mr. Jacques Gourde: The transferor often has to cede part of his land, whether the buyer is related to him or not. When farm assets are being sold separately, the farmer's family often chooses to try to obtain a maximum amount from the sale of his lands. However, when the farmer is transferring the farm to a family member who wants to farm the land, part of it has to be ceded. Tax that must be paid on the part that is ceded.

Can something be done about that?

Mr. Marcel Groleau: I believe a bill was introduced by the NDP. Its objective was to see to it that the measures that apply to vendors related to buyers would not disadvantage the family, as compared to a situation where the farm is being sold to a stranger. Currently, the thinking is that when you donate something to a family member, the purpose of that donation—perhaps, I don't know for sure—is to try to make things easier for the buyer; whereas if you give a stranger a gift, it is certainly not to provide an advantage to that person, since he or she is not a family member.

Perhaps those tax measures could be amended, and we would improve the opportunities for intergenerational transfers.

Mr. Jacques Gourde: You are raising the issue of dividends and capital gains. When the farm is transferred to a family member, there is a dividend, but would a decrease in capital gains be beneficial? Would we eliminate the first part of the problem?

Mr. Marcel Groleau: Regarding a decrease in capital gains, no. Exemptions for capital gains are important in the case of a transfer because as you heard, you need $8 in assets in Canada to generate $1 of revenue. In certain cases in Quebec, it even goes up to $15 in assets for $1 in revenue. If you eliminate the capital gains exemptions, you will complicate these intergenerational transactions a great deal, and even those between parties that are not related.

The Chair: You have one second left.

We will hear the next speaker.

Mr. Breton, you have four minutes.

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

I thank the witnesses for being here today. Their testimony is greatly appreciated.

If we consider the average farm debt between 2011 and 2015, we see that there was a significant increase both in Quebec and in Canada.

However, the value of assets also increased significantly. A little earlier you were talking about land values. The representatives of Farm Credit Canada who testified here also spoke of an interesting increase in farming incomes. It seems that everything is going rather well in the agricultural milieu and that the future looks good. The agricultural sector will in fact be one of the five pillars of the economy in the course of the next years.

Of course risk is always inherent in debt. Interest rates are low right now and this encourages investment. That is a good thing, because we need it. We know that farms want to be more productive, and there is a lot of opportunity.

Did you analyze interest rates? What could protect at-risk agricultural producers? Low interest rates are a good advantage, but it wouldn't take much for things to be upended.

Mr. Groleau, I would like to hear what you have to say. Ms. Baillie, I would also like to hear your thoughts afterwards.

Mr. Marcel Groleau: It would not take a very high increase in interest rates for many farms to find themselves in a difficult situation. This would particularly affect the businesses that started up in the past few years, because their debt level is normally higher than that of businesses that started up 20 or 25 years ago.

We have not done any studies to determine what type of interest rate increase—one, two or three percentage points—would tip the balance. Every farm's situation is different. It is interesting to note that the value of agricultural assets has increased, like their size. Assets leverage borrowing capacity, but the capacity for reimbursement is always the fundamental element in the profitability of a business.

Often the young people who start up a farm do not have assets to allow them to acquire credit, and it is difficult for them. An enterprise that is a going concern and has accumulated assets has easier access to credit, but that is more difficult for someone who does not have assets. That is why we speak of "patient capital". If we want the new generation of farmers to continue farming, we have to find a way of providing patient capital to them so that they have a chance to constitute farm assets.

It's a cyclical situation. In 1969, my father started a dairy cattle farm. He had to decide whether to stop or keep going. He obtained a 39-year loan from the Quebec Farm Credit Bureau, at a guaranteed interest rate of 2%. That was patient capital. This is what allowed Quebec agriculture to take off in the 1970s. The mechanisms they had at the time worked well.

● (1205)

Mr. Pierre Breton: Do you make this suggestion, Mr. Groleau?

Mr. Marcel Groleau: I often say that, for young people, having patient capital is really the key to launching a farming business.

The Chair: Thank you, Mr. Groleau.

Thank you, Mr. Breton.

Ms. Brosseau, you have four minutes.

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

I want to thank the witnesses for participating in this important study.

Again, we're talking about the bill tabled by my colleague, Guy Caron. The bill was important and would have made it easier to transfer family farms. I want to point out that the Liberal members on the Standing Committee on Agriculture and Agri-Food supported this bill. However, sadly, it didn't even reach the stage of an extensive study in committee.

I now want to address a current topic. We've been talking a great deal these days about the Pangea company, whose business model consists of buying farmland and working in partnership with producers to share assets and expand production. Pangea's goal is to create joint ventures, of which 51% of the shares would be issued to farmers and 49% to Pangea.

What do you think of Pangea's business model? Is the model positive, or does it undermine the transfer of farmland?

Mr. Marcel Groleau: It's not an agricultural development model. It's a business development model. Franchise owners, meaning producers who acquire a franchise from Pangea, obtain 51% of the shares of a company whose destiny they don't control. In Quebec, the producers must own 51% of the shares, because their companies can therefore qualify individually for La Financière agricole du Québec programs. If the company owned only 49% of the shares and Pangea owned 51%, Pangea would be considered an aggregate company, meaning a group of companies. The Financière agricole programs would then be less beneficial.

The business model is built for people to derive the maximum benefit. However, based on this model, producers really have no control over the choices and destiny of their company. That's why I'm talking about the “franchising” of the farming business. We certainly don't want to see this model develop. Also, the model is based only on grain production. There's no livestock, because people want as few assets as possible. They don't want barns. The model won't help our rural regions develop.

● (1210)

Ms. Ruth Ellen Brosseau: Could the rules be changed to better regulate transactions and land allocation?

Mr. Marcel Groleau: Land allocation should be regulated, especially to ensure long-term loans and leases. It's important.

At this time, since the value of land is increasing quickly, farmland owners who aren't farmers have no interest in leasing their land over the long term. They may have a chance to sell or rent the land at a higher cost.

Small and large producers who farm leased land can't build or develop their company over the long term. They can't make long-term investments in the land.

Ms. Ruth Ellen Brosseau: Ms. Baillie, we must work on promoting cooperatives in Canada. Can you tell us about your mentoring program?

[*English*]

The Chair: Make it a short answer if you can.

Ms. Peggy Baillie: Do you mean within co-operatives specifically?

Within the co-operative sector, we do a lot of mentoring where we have seasoned, established co-operatives mentoring start-ups. In the ag sector, in particular, we find that this is very valuable because the new entrants really need that kind of guidance from the business management practices of the co-op sector specifically, particularly because—

The Chair: Thank you, Ms. Baillie. I'm going to have to cut you off there. You may have a chance to continue this later.

Mr. Peschisolido, you have four minutes.

Mr. Joe Peschisolido (Steveston—Richmond East, Lib.): Would you like to continue, Ms. Baillie?

Ms. Peggy Baillie: Thank you.

I was just going to say that educational supports don't necessarily exist for the governance education of co-operatives, so mentorship programs are really the only way that new entrants are learning the value of the key learning initiatives for governance of co-operatives.

[*Translation*]

Mr. Joe Peschisolido: Thank you, Mr. Chair.

I want to thank the witnesses for being here.

Ms. Bouchard-Santerre and Mr. Groleau, I first want to apologize because I don't know Quebec's agricultural sector as well as I know British Columbia's agricultural sector. That's why I don't want to ask a general question.

Do you want to elaborate on any issues?

Mr. Marcel Groleau: Okay.

The agricultural sector has many risks. As mentioned earlier, we work with the living and the climate. We're currently experiencing significant floods. We don't control the elements of nature.

The key to investing in agriculture is risk management. For farmers, it's a matter of having access to risk management programs that enable them to invest.

In Canada, risk management programs were cut significantly, especially in 2013. Canadian producers left the AgriStability program. The producers are therefore assuming a greater share of the risks.

However, since 2008, we've had good market prices for grain and meat. The market situation has been good, which means we've done fairly well in this period. Farm Credit Canada mentioned it.

However, prices have dropped in the past and could drop again in the future. If there were a drop in prices, producers wouldn't be able to handle the situation with the current Canadian programs. That's why, in the renegotiation of the agricultural policy framework, we're asking for a greater investment in risk management. Measures could be implemented to intervene only if the markets crash and not each year, regardless of the market situation. By creating a risk management program, we could handle the volatility of market prices, which have increased with globalization.

That's all.

Mr. Joe Peschisolido: Thank you, Mr. Groleau.

[*English*]

Ms. Baillie, as you know, Ocean Spray is headquartered in east Richmond, my neck of the woods. I've had conversations with them to see how or if we could take the co-operative model and apply it to what you discussed, originally produced food. I'm assuming that “originally produced food” is food grown locally, healthy, and so on.

Is that possible? Can you take the co-operative model, expand it from where it is right now, and apply it to other parts of the farming industry, like hogs or cattle?

● (1215)

Ms. Peggy Baillie: Absolutely.

Mr. Joe Peschisolido: If yes, how?

Ms. Peggy Baillie: We're definitely seeing, particularly in the production side, more co-operatives that are developing specifically for that purpose and for a couple of different reasons. One is the transfer of assets such as purchasing land, so many producers are able to access the assets that they need. Pooling those resources can be beneficial. As well, being able to have shared production practices as a group of producers can allow them to access markets that they would not be able to access individually.

I can say that the co-operative model has many applications throughout the agriculture sector, and in many cases makes the producer stronger than when working independently. There are definitely advantages there.

The Chair: Thank you.

Unfortunately that's all the time we have.

[*Translation*]

I want to thank Ms. Bouchard-Santerre, Mr. Groleau and Ms. Baillie for participating.

[*English*]

We shall suspend for two minutes and return with a new panel.

● (1215)

(Pause)

● (1220)

The Chair: We're going to get going. We'll start with our witnesses.

I want to welcome Ms. Heather Watson from Farm Management Canada. You're going to pairing with Mr. Mervin Wiseman, whom I know very well, and who is on the phone at the other end. His phone, I understand, will always be on, so if there are questions, we can refer to Mr. Wiseman. He's the director of Farm Management Canada. Also, with FarmStart, we have Ms. Christie Young, executive director. Welcome to both of you.

We shall start with a 10-minute opening statement. Ms. Watson, you can share with Mr. Wiseman if you wish.

Ms. Heather Watson (Executive Director, Farm Management Canada): That's super. I'll warn you that I am a very fast talker, so feel free to interject. My apologies in advance and hello to Merv on the phone.

Mr. Chairman and honourable members, thank you for inviting Farm Management Canada to speak before you today on matters concerning farm debt in the agricultural sector.

By way of introduction, I'm Heather Watson and I've been the executive director at Farm Management Canada for the past seven years. I'm here with my colleague and director, Merv Wiseman, who will introduce himself and speak to you a little bit later.

We're very pleased to speak to today's topic, as we feel economic sustainability is the prerequisite for Canada's agricultural sector, as a whole to not only survive, but to thrive and continue to be a global leader. The farm financial crisis that defined the 1980s caused government and industry stakeholder groups to contemplate how best to prepare the agricultural industry to better manage against risk and uncertainty. They turned to farm business management. In 1992, governments and industry established Farm Management Canada, formerly called the Canadian Farm Business Management Council, as a national body positioned to coordinate farm business management programs and training to equip farmers with the resources, tools, and information to prevent the 1980s from happening again.

Farm business management is the key to establishing a mechanism whereby thinking ahead and proactivity become part of everyday decision-making. It's how farmers know where they are, where they want to be, how to get there, when they get there, and what happens next. Such planning is inherently connected to business continuity and transition planning.

Farm debt is a key consideration when it comes to employing business management techniques to manage risk and seize opportunity. Debt can be used to stimulate innovation, growth, and competitiveness for farm businesses. However, debt can be problematic for some farmers who do not have the working capital or liquidity to remain flexible and resilient in our ever-changing and complex industry.

In general, business has been good for farmers and according to our lending institutions, our industry is in a good financial position. Farm income, debts, and assets present a positive outlook. Key variables include interest rates, exchange rates, and commodity prices. These have all been relatively favourable.

This is good news for the sector, however two concerns do arise. First, one must consider whether these conditions are by default or design. Have we simply lucked out and what if our luck changes? This is Management 101. Are we actively working to create positive outcomes and mitigate risk?

Second, are we taking advantage of these good times to get our business affairs in order to position the farm for the best chance for success when conditions do change? Are we taking the time now to invest in business management practices? Are we identifying what is in our control and working toward solutions? The answer for the majority is no. We continue to use the money to invest in more assets.

One thing in agriculture is certain: change and the uncertainty brought by change. Over the next 10 years, we expect three out of four of Canada's farms to change hands. Agriculture will experience what renowned expert and farm family coach Elaine Froese calls the tsunami of agriculture where today's farmers will transition not only their assets, but their managerial and leadership skills to the next generation.

Our farm management decisions and process for making informed decisions are now more critical than ever. What got us to where we are today will not get us to where we need to be and our young farmers know this. They're taking matters into their own hands, bringing their own business management acumen to the farm. For years, farm business management enthusiasts have believed the success of any farm enterprise is directly related to the business management skills and practices of the farm manager. However, there has been a lack of convincing evidence, making it difficult to convey the value and increase the adoption of these practices until now.

A new groundbreaking study goes beyond existing research and is the first to establish a measurable link between business management practices and financial success. The study, called “Dollars and Sense: Measuring the Tangible Impacts of Beneficial Business Practices on Canadian Farms” is mentioned in the report I gave to you in advance. It reveals the adoption of business management practices on farms and specifically planning activities remain fairly low. Only 26% of farmers have a formal business plan and 33% have a financial plan, 27% have a succession or a transition plan, and 18% have a human resource management plan. There is room to improve and farmers need our support in doing so.

By comparing the management practices of Canada's top performing farms with those at the bottom, the study reveals the recipe for success. There are seven business management practices driving farm financial success. This entails continuous education, financial literacy, using business advisers, and planning. Farmers adopting these practices have an average annual return on assets of 10%, which is 525% higher than the bottom 25%.

● (1225)

Farmers in the top 25% also have much stronger asset turnover scores,100% higher, and the gross margin ratio is 155% higher than for farmers in the bottom 25%.

In an ever-changing industry, the farm business management process provides a solid foothold for farmers to confront change with confidence, manage risk, seize opportunity, and make informed decisions.

I will now invite my colleague Merv Wiseman to provide his comments and perspective as a director on Farm Management Canada's board of directors, president of the Newfoundland and Labrador Federation of Agriculture, past president of the Canadian Agricultural Human Resource Council, and owner and operator of the world's largest silver fox farm in North Harbour, Newfoundland.

Merv, over to you.

Mr. Mervin Wiseman (Director, Farm Management Canada): Thank you, Heather.

I'll try to enter the eyes of a farmer. I can tell you that, at the age of 60, all the things Heather said resonate a lot more than they did when I was 20 years old, believe me. Also, in wanting to move the farm along to various successors, you'd better have your ducks lined up from a business standpoint, that's for sure.

Historically, a focus on production has dominated the agricultural sector. We know farmers typically do not become farmers because they love business management. However, this is the reality of today's farm operations and those of future generations of farmers.

In the work Farm Management Canada, FMC, does, we find there is room to improve financial literacy among farmers. Many farmers rely on their accountants to produce financial statements for tax or banking purposes. It is infinitely important that farmers know and understand their numbers and know that their decisions will affect not only the bottom line but the business as a whole as well as extending their business beyond where it currently would be.

While the statistics tell us Canada's farmers are in a relatively good financial position, we ask whether this is by default or by design. Certainly when you look at interest rates and where they have been over the last few years, money has been relatively easy to access, notwithstanding many other operatives in the business.

Also, is one commodity or region in a better financial position than another, and why? What does this mean for others and for the true financial picture?

What is the role of our off-farm income in sustaining farm operations? I recall a very telling statistic that came out of the farm census back, I think, in the last report. By the way, we are about to receive a new farm census report, which is going to outline some very important trends for us now to better know where we are. One of these statistics showed that over 40%—almost 48%, actually—of operators of family farms had to go off farm and get an off-farm income to sustain their activity on the farm; and it was all related to debt. That's the consequence we see if they're not properly managed.

Financial literacy becomes vitally important to ensuring the farm's viability for future generations. The focus must not solely be on our young farmers. We need to continue to support today's farmers to transfer healthy farm businesses to the next generation to ensure Canada continues to be part of a world-leading agricultural sector.

When it comes to agricultural lending, we hear of many cases where lending is based on equity. This poses a problem for young farmers and new entrants who are trying to build equity, while it is also a concern for established farms. Equity becomes the main operative in being able to leverage money, and we have to make sure our ratios are properly balanced. When we start talking about farm debt and net equity, it takes on new designs. Having equity does not necessarily mean the farmer is a good business manager. We would love to see more lending institutions taking a look at farm business management practice and taking those into consideration when making lending decisions, to reward farm business management and to help promote that value.

Finally, we know that Canada is uniquely positioned to succeed, and we plan to be there every step of the way to help farmers continue to run healthy farm businesses.

If I could again go off script to conclude, FMC has been around for a number of years, and over these years there's been significant outreach, with good understanding of captured good business practices, great networking, and I think, significant education in various forms as we've reached out. However, FMC's capacity has been a function of funding arrangements that have come through the framework agreement, and now with a new framework agreement coming up in 2018, we have to fit into that formula. I want to leave you with that point.

Thank you very much, Mr. Chairman, members, and guests.

● (1230)

The Chair: Thank you, Mr. Wiseman. Good to hear from you again.

Now, from FarmStart, Ms. Christie Young, for 10 minutes. Thank you.

Ms. Christie Young (Executive Director, FarmStart): Good afternoon. Thank you for inviting me to come speak to you today. My name is Christie Young, and I am the founder and executive director of FarmStart.

For the past 10 years, FarmStart, a charitable organization based in Ontario, has been supporting and encouraging a new generation of sustainable farmers. During this time, FarmStart has worked with over 60 new farmers on our incubator farms and supported more than 30 new Canadian farmers through our seed capital grants. Over 6,000 people have come through our courses and workshops, and 3,500 farmland owners and farm-seekers have registered on our farmlink.net matchmaking website.

Between 2012 and 2015, FarmStart spearheaded a national new farmers initiative with Food Secure Canada. The NFI undertook a range of provincial and national consultations involving over 150 organizations and individuals.

In 2014, I undertook a research project for the McConnell Family Foundation, interviewing over 50 emerging food and farm entrepreneurs across the country to understand the role of debt and investment in their business development. You can find this report online. Through these consultations, we have found that new farmers face two significant and interconnected challenges: first, capital, in particular access to appropriate, risk-taking, and growth-oriented financing; second, land tenure, in particular securing ownership of affordable, productive assets.

According to Farm Credit Canada, from 1981 to 2014, farm debt skyrocketed 362%, and land prices rose 300%. The practice by farmers of borrowing against the speculative value of land and quota over the last 30 years has created very significant succession challenges, which likely have been discussed by other presenters, or will be.

There are also two significant trends that are identified by Statistics Canada that have impact on new farmers and new entrants: one, that the price-to-earnings ratios for farmland are increasing; and, two, more farmers are renting land. We have found that new farmers' access to capital was limited due to the requirement by almost all lenders that operating loans be fully collateralized. This was often directly connected to the affordability of farmland.

In a survey of 250 new farmers, which FarmStart completed with the Junior Farmers' Association of Ontario, the Ontario Federation of Agriculture, and Farm Management Canada in 2013, we found that 77.5% of respondents said that start-up costs were their greatest challenge, while 57.2% said it was access to land. Of the farmers surveyed, only 31% had approached a financial institution, with most financing coming from personal savings, friends and family, or lines of credit acquired before they started to farm. Most of these farmers, 90% of them, were under the age of 55. They were mostly young farmers.

Required down payments, sometimes as high as 50% of the purchase price, can be insurmountable for new entrants. If they can access the funds necessary to buy a farm, they have usually drawn on all accessible equity from friends and family in the purchase of the land. Thus, they have little equity to offer as collateral for intermediate financing from conventional lenders. That echoes a lot of what's been said here today.

There is little interest from venture capital in this space, because the profit margins are too low and scalability is limited. The entrepreneurs who manage to secure operating capital often continue to exist in very tight and chronically underfinanced circumstances. They struggle with cash flow for operations and income, such as for inventory and seasonal upfront costs, necessary equipment investments, and financing to hire on the capacity and skills to help them manage the stages of growth. What they are able access is usually high-cost credit, which further serves to increase their debt and reduce their viability.

In the report I have given you, I've included three examples where new farmers have been able to access what I call “lucky capital”, either from their farm families or from below market purchases of land or quota. I won't bring those up right now, but I do want to point out that not all farmers have access to these family assets or are able to access this lucky equity. Farmland in Atlantic Canada is still affordable in comparison to the runaway prices in Ontario, B.C., or parts of Quebec.

We have found that there are intervention strategies that can really make a difference for a new farmer. For example, Jim Thompson of Notre petite ferme in Quebec started his 4.5 acre vegetable farm on the incubator La Plate-forme agricole de L'Ange-Gardien in Outaouais. After working as farm manager on two organic farms for six years, he looked in vain for land around Montreal. After starting his farm on the incubator, this choice paid off, and he finished his fifth season with profit and no debt.

● (1235)

When they outgrew the infrastructure of the Plate-forme, Jim and his wife Geneviève found a 168-acre property in the same area. They were able to obtain financing from Quebec's Fonds d'investissement pour la rélève agricole, the FIRA fund, which gave them a lease of up to 15 years during which they could purchase that property.

There are also various emerging and non-traditional strategies that are able to separate the farm business from the value of the land, such as co-ops, land trusts, and long-term lease arrangements on public lands. In addition, agricultural condos or smaller parcels of land can allow farmers to buy the right amount of workable acreage for their operation rather than have to finance more than the productive acreage they need. Or they can buy the home farm and rent more extensive acreage. This can reduce their upfront costs and ongoing debt loads while providing the important equity, security, and ownership that farmers need, if they're going to invest in their soil and infrastructure, and if they are going to seek to borrow operating capital.

Farmers have been able to access small pieces of land. For example, Maude-Hélène Desroches, a market gardener in Quebec, runs an intensive vegetable operation on two acres. They report a gross margin of 40% from revenues above $250,000, which provides their family and employees with livable wages. High quality, direct marketing, minimal debt, and low input costs make this sort of balance sheet a reality. Maude-Hélène and her husband Jean-Martin own a total of 15 acres; this property includes their house, their work shed, their greenhouses, their gardens, and a woodlot. They have been running this farm for 10 years now, and they're almost debt free.

Of course, not all farmers will farm on such an intensive scale, but many new farmers are exploring a variety of intensive and higher crop value operations. This includes growing specialty vegetables and new grains and pulses, extending the growing season, and intensively grazing livestock.

Paul Slomp of Grazing Days started his beef operation in Ontario on rented land near Ottawa. He has recently bought 250 acres of land across the river in Quebec, because he found that the land prices were 10% of those on the Ontario side. While there are many factors at work, Paul believes that the provincial policies in Quebec that make it difficult to sell agricultural land for anything other than agriculture are keeping land more affordable for new entrants. This might be a good thing to study.

In summary, here are our recommendations for you to consider.

Farm policies must support small farms, because young and new farmers often start out on small farms. They may aim to scale up, but they will invest strategically over time, minimizing their debt and finding the right balance between their revenue and operating costs.

Rising land prices, speculation, and consolidation are creating significant barriers to entry, and government intervention is necessary. Action must be taken to prevent farmland from being purchased for non-agricultural uses, particularly those that preclude its return to agricultural production. It is also important to examine agricultural zoning policy to allow smaller plots and new forms of farm cluster development, in order to facilitate land access for new entrants and business models.

Farmland trusts and public ownership can allow farmers to steward the land and not necessarily own it. Innovative arrangements of public ownership may help young farmers enter agriculture. They can keep high-value land adjoining major cities in food production.

New debt-minimizing forms of land transfer will allow and encourage farm succession. This could include impact and institutional investment to help transition and protect farmland for future generations of farmers, or a government-funded shared farms savings program to help aspiring farmers save for a down payment.

Other strategies could include an agricultural gifts program, similar to our ecological gifts program, whereby charitable tax receipts are available for the difference of land value for the workable acreage when an agricultural easement is placed on that land.

Seed, risk-taking, and patient capital are needed. Such furnishing of capital could include character-based lending schemes, start-up and establishment grants, and impact investment funds.

New farmers need training programs and accessible, lower-risk ways to enter the sector, or we will lose prospective farmers at the outset. These could include internship and apprenticeship programs, incubator farms, local and flexible training programs, as well as farm business development coaching and access to necessary technical advisers.

● (1240)

We can make room for new farmers by implementing a retirement plan for new farmers that enables existing farmers to pass on their farm to a new entrant or to their children. Ensuring farmers have adequate retirement funds means that these families will not have to sell and refinance their land base each generation.

Farm support, farm income, and supply management initiatives must be more flexible. Current programs and supply-managed systems are inaccessible, do not serve, and often prohibit new farmers.

The Chair: Ms. Young, I'm going to ask you to conclude. We're past the 10 minutes.

Ms. Christie Young: Okay.

With fewer than 30,000 young farmers in Canada today and the fastest pace of decline in our history, fewer and fewer farmers will be producing food in the future. We need to encourage and support a new generation of farmers today who will be prepared to fill the shoes of our soon-to-be retiring farmers. We need to intervene to support what could be a transformative and dynamic generational transition. These new farmers cannot be saddled with crippling debt, or they will not succeed.

Thank you.

The Chair: Thank you, Ms. Young.

We'll start our question round. We'll lead with Mr. Shipley for four minutes.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you very much.

Ms. Young, you just mentioned something about the particular industries inhibiting new entrants. You particularly mentioned supply management. We just met with groups this morning, for example, that actually have families and people coming along, and each one of them has a young entrants program, whether it's in the feather industry or in the dairy industry. I know it's easy to say that they can't get in, but actually it's quite the reverse. They have a lot of new entrants. They may be family, and sometimes they're outside the family.

I always say it's also hard to get into farming and buy $10,000-an-acre land and make it pay.

Where would you suggest that flexibility might be to improve supply management for entrants to get in?

Ms. Christie Young: We actually wrote a paper on this, and I can make it available to the committee.

There is farm succession within farm families, but for a new entrant to enter into dairy, for example—we did a study—it costs about $8 million, and in Ontario the quota is $5 million to start a sizable operation. You can find crop-sharing arrangements or you can find access to quota below market rate. For example, one farmer we interviewed was able to buy his quota in Saskatchewan at an auction. In his lifetime—and he was 50 when we interviewed him—there was one auction in his whole lifetime. He was able to buy that quota below market rate and then was able to borrow against that value of quota.

If farmers are starting out to buy their quota at full market rate and then need to access other capital to start their farms, it becomes prohibitive. We've suggested—

Mr. Bev Shipley: There are examples of people who have done it.

● (1245)

Ms. Christie Young: Absolutely.

Mr. Bev Shipley: I only have four minutes, so I want to go to Heather here for a second.

Heather, you mentioned a couple of things. We're not taking the good times to prepare for the bad times, in terms of when you make profits to set aside for the other part. Then you mentioned a study that had been done on risk management on business plans, but most don't....

How do you promote? The idea is that we encourage the business part of that to include a business risk management plan. How do you prepare, or how do you support the preparation for families you're talking about in farming so that they do build a business plan? We know of some who actually can tell you from day to day what their costs of production are, and then obviously there are many others who don't.

Ms. Heather Watson: Thank you for the question. It's a good one and one we ask ourselves quite often, wondering what is the secret to success here.

What comes to mind is, in anything, how do we change the adoption of practices? In agriculture and anything else, you kind of think there's the stick, and there's the carrot. The dollars and cents study is that here are seven practices, here's your recipe for success, and here's the financial gain, do it. It's going to be wonderful; we have the stats to prove it.

We find in our studies in talking to farmers that there's.... I have a study in front of me here with the Agri-Food Management Institute, and really the change in behaviour came from regulations, lenders, and from other people or incentive programs. For some farmers, say for the top 25%, it's because they fundamentally believe in improvement and better practices, and they want to adopt those practices.

For the remaining side, we need to get the rest of industry around this. There's a significant lack of profile for and value of farm business management in just the rhetoric of the industry. From government to lending institutions, we need them to support that idea too.

Mr. Bev Shipley: Just help this committee with some recommendations of what we could do to help instigate those types of—

The Chair: Perhaps you can leave that until the next round, Mr. Shipley.

Perhaps we could ask you to forward that document if you want, and we'll read it.

Ms. Heather Watson: For sure.

The Chair: Honourable Mark Eyking, you have four minutes.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair, and it's good to be back on your committee here.

As a farmer for 20 years, growing vegetables in Cape Breton, you learn a lot about the challenges, whether it's the marketplace or the growing conditions. I remember being on this committee before, and every farmer is different, every commodity is different, and how they make their money is different. We've seen operations where they're doing alternative energy, there is tourism in farming, and it's very complex. There is no single one that is a model, but at the end of the day it's an expensive business and it's a risky business.

I have two questions. One is on the co-operatives. Our farm, even as we got larger, still relied on co-operatives to buy our products. We had our own co-operative farm store, and we also sold to a co-operative, and it was very good. The people we sold to appreciated that constant supply. My first question is around how the federal government can help foster these co-operatives, especially when you're starting out and you can't afford all the equipment.

The second part is on access to land. We used to have to rent a lot of our land, and what frustrated me was that there were people who had good farmland but who weren't farmers, and they weren't letting anybody farm it. I know this is probably more on a municipal level, but should there be some way we can encourage these municipalities, so that this farmland is not taxed as farmland if they're not using it for farming?

Those are the two questions I have. How can we, as the federal government, help foster those co-operatives? They not only help farmers starting out, but also keep their debt load down.

The second is all about land usage and how we can get good agricultural land in production, whether it's federally or more on a municipal level. I'm asking anyone who wants to answer those questions.

Mr. Mervin Wiseman: If I may, I could take the piece on the land, and someone else can deal with the co-operative piece.

Things are different in different jurisdictions, from what I've come to learn. Here in Newfoundland and Labrador, in 1978 there was really a watershed day in terms of crossing that line on ownership of land. During that time, a statute was established by government that for all land used for agriculture in the province of Newfoundland and Labrador, you could only obtain a lease, and that lease was contingent upon doing all the things that you would consider doing with whatever commodity you were dealing with.

We are not seeing even a hint of the increased farmland values that are being talked about in other parts of Canada. We don't like to concede to government intervention to large degrees, but I think this case is a perfect illustration of how we can keep it under control, keep everybody happy out there, and be able to utilize the land the way it was meant to be used without accruing the large values.

That's my take from where I come from.

● (1250)

Hon. Mark Eyking: You're talking about a different situation in Newfoundland. You're dealing mostly with crown land that's being leased to farmers now, right?

Mr. Mervin Wiseman: Yes, that's right.

The other part is that it was freehold land before 1978, when the act came into play. Yes, there is a significant amount of land that's there, but all the land in the various sectors of the province has been zoned for agriculture. So if someone might want to move good, valuable agricultural land into some other kind of construction activity, or housing and so on, they're prohibited from doing it because it has to have agricultural activity attached to the zoning regulations. That's the other way in the back door, you know?

The Chair: Thank you.

[*Translation*]

Ms. Brosseau, you have four minutes.

[*English*]

Ms. Ruth Ellen Brosseau: I'd like to thank the witnesses today for their presentations.

As was mentioned earlier, over the next 10 years we expect 75% of Canada's farms to change hands. In my constituency I have a lot of dairy farms and a lot of chicken, and a lot of those farmers are thinking about retirement and what their future holds. A lot of them had hoped to see a legislative change to facilitate the transfer of family farms to their children.

I wonder if I can get some comments around the importance of making it easier to transfer a farm and to keep it in the family. At earlier committee meetings we even had some people who suggested enlarging the definition of family. I wonder if we can get some comments around the importance of making it easier and rectifying this injustice at the federal level.

Ms. Heather Watson: I appreciate the question. I'm a little bit familiar with that bill. From the work we do in transferring a farm, that's essential to business continuity, so it comes with business planning as well.

We definitely see a need to expand our traditional thinking around farm transfers not to just the children, including siblings, including whatever the definition of family is. There are cousins involved, there are in-laws involved, and there are grandchildren involved. Actually, I'm glad your farmers are thinking about retirement and talking about retirement because oftentimes farmers don't even want to talk about retirement. So that's a positive thing.

When you look at transferring the farm forward, you have a lot of different models and a lot of different options, so I think the more options we can give farmers the better. And whether you want to keep it in the family or not is really up to the farmers and up to the family and who can best carry on that legacy for the farm.

Oftentimes the family is interested. Some farmers don't have that option, so it's important not to put all our eggs in that basket, but I do think when it comes to family intergenerational transfer, we have done a lot of work in succession planning and we see that oftentimes it skips a generation. It's the grandchildren taking over because they have left it too long for the parents to have and hold that piece. I would be totally in support of anything that expands that definition and makes it easier to keep that legacy going, for whatever makes sense for the farm business.

Ms. Ruth Ellen Brosseau: Ms. Young, do you have any comments?

Ms. Christie Young: I would just echo that a lot of the farms are going to be transferred out of the family. Some of it is because farmers farm until they are so old that their kids have grown up and have their own careers. Then they are ready to pass on the farm, but they won't let go. A number of people talk about the struggle; they just can't farm with their parents. I think that's just a reality. That's not a bad thing. But then there need to be other opportunities for them to farm in their communities. Then there need to be transfer strategies once that farm is going to be transferred out of their hands.

We have created a platform, farmlink.net, which is designed to link landowners with farm seekers. We've actually been working a lot with the municipalities about what they could do, because they see this happening, and they see farm consolidations, and they see people moving out of their communities, which means that the fabric of these rural communities starts to disintegrate.

They want to know how to bring new people in. It doesn't mean there won't be farm family transfers, but there will be other new people in the mix, and there are lots of ways to encourage it. I probably can't detail them all today, but there are financial interventions, there are capital gains tax breaks that could be created, there are incentives for succession planning, because we get phone callers who say they want to sell their farm by the end of the weekend. “It's $5 million; find me a new farmer.” I'm not kidding. That's who calls us. They really should have started 10 years ago, because it has to be a progression.

● (1255)

The Chair: Thank you, Ms. Young.

[*Translation*]

Thank you, Ms. Brosseau.

Ms. Lockhart, you have four minutes.

[*English*]

Mrs. Alaina Lockhart (Fundy Royal, Lib.): Thanks to each of you for bringing your perspectives on this.

One of the things we've been talking about a lot in this committee is the ambitious goal to grow agriculture exports in the next many years or few years.

If I heard you right, and correct me if I didn't, we need to be focusing as much on farm management as we do on the debt, I guess. Is that a fair takeaway from your testimony?

Ms. Heather Watson: Yes. Simplified, it is.

Mrs. Alaina Lockhart: Can you expand on that a little bit?

I guess I'll add another anecdote that I heard. It was from a supplier of robotics, actually. He said he can tell when he drives into a farm whether or not the robotics are going to be successful, basically by what he sees with the management of the farm.

Would you say the same as far as growth is concerned?

Ms. Heather Watson: I think it's fundamental. I'm glad you bring up the export and the market access piece, because when we look at the next policy framework—and I know you have already done a study on that—we see emphasis on market access, innovation, and all these things, but really you need a fundamental system to make sure that the farm is capable of entering those markets, or capable of taking on an innovation and maintaining, sustaining, and growing that.

Our fear is that, without proper planning, that foundational piece, and with 25% of the farmers having a business management plan—which is really a fundamental piece for success and maybe we've gotten lucky so far—it's really hard to know whether we have the capacity to succeed.

The opportunities open up to those farmers who do those practices, but again, it's hard because we don't exactly see the support in the rest of the industry for business management, and business management is as important as everything else. They think a really nice dichotomy and where we need to dovetail is business risk management programs and farm business management.

So could there be some sort of an incentivized piece where we say if they're accessing business risk management programs, maybe there are some incentives if they can demonstrate these farm business management practices? Then we know they're doing everything they can in their capacity to manage the risks that are in their control and then we on the other side, the government, are there to help them along the way for the rest of the risks.

We would love to see that profile and the value of business management raised in that way as a fundamental contributor to ongoing success, long-term success, and back to the business continuity and succession piece.

Mrs. Alaina Lockhart: I sometimes like to ask this question because we talk a lot about what we should be doing and what we could be doing.

What is working now? What policies are in place now that are fostering growth, and what shouldn't we be throwing out with the bathwater?

Ms. Heather Watson: I guess I'll be biased and say that one thing we see working really well is this.

There is a bit of a process in place, in terms of encouraging farmers to do the assessment piece and then getting access to...and some provinces are all different.

Some provinces are incentivized. Some are voluntary, and some are not voluntary, but we see a process for assessing the business, assessing where you want to go, where the market will go, and where there are different structures like co-operatives that might be available to you.

Then there is funding for skills development and for advisory services available to the farmer, because they're not used to paying for those services, to be quite frank, and we're still facing a lot of, “Why should we be paying for this? This is where our tax dollars go.”

In terms of education and providing some incentive for advisory services, which are, again, the best practices of farmers, I think that's where we're doing something right. We're appreciating the continuous learning—life-long learning—as well as the notion that it's okay to ask for help and to get outside help for our businesses, because that's what every other business sector does.

The Chair: Thank you.

That just about takes all the time we have today. I want to thank Mr. Wiseman from Newfoundland. I hope things are good there, Mr. Wiseman, and thank you for joining us.

Mr. Mervin Wiseman: Thank you, Mr. Chair.

The Chair: Thank you, Ms. Watson and Ms. Young, for joining us today. I'm sure we could have gone on a lot longer, but we're restricted on time.

Thanks to everyone.

We are adjourned. We'll see you next Thursday.