



# **Farm Succession Planning in Ontario**

2008 Ontario Farmland Trust Farmland Preservation Forum

Land for the Next Generation of Ontario Farmers

April 17, 2008

Arboretum Centre

University of Guelph

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- Traditionally, OMAFRA’s main focus is on “farm succession planning”—“within family” or “multi-generational operations” and “new, third party” transfers.
- High percentage of transfers/transitions/sales-purchases are between generations (within family) or neighbours (who are likely multi-generational operations) buying the farmland to make a larger farm.
- Over the past while, there is awareness of a segment of “new” farmers (i.e. experienced people from other sectors, new to Canada, etc.) and there are efforts in the industry to develop new models to address this group’s needs.



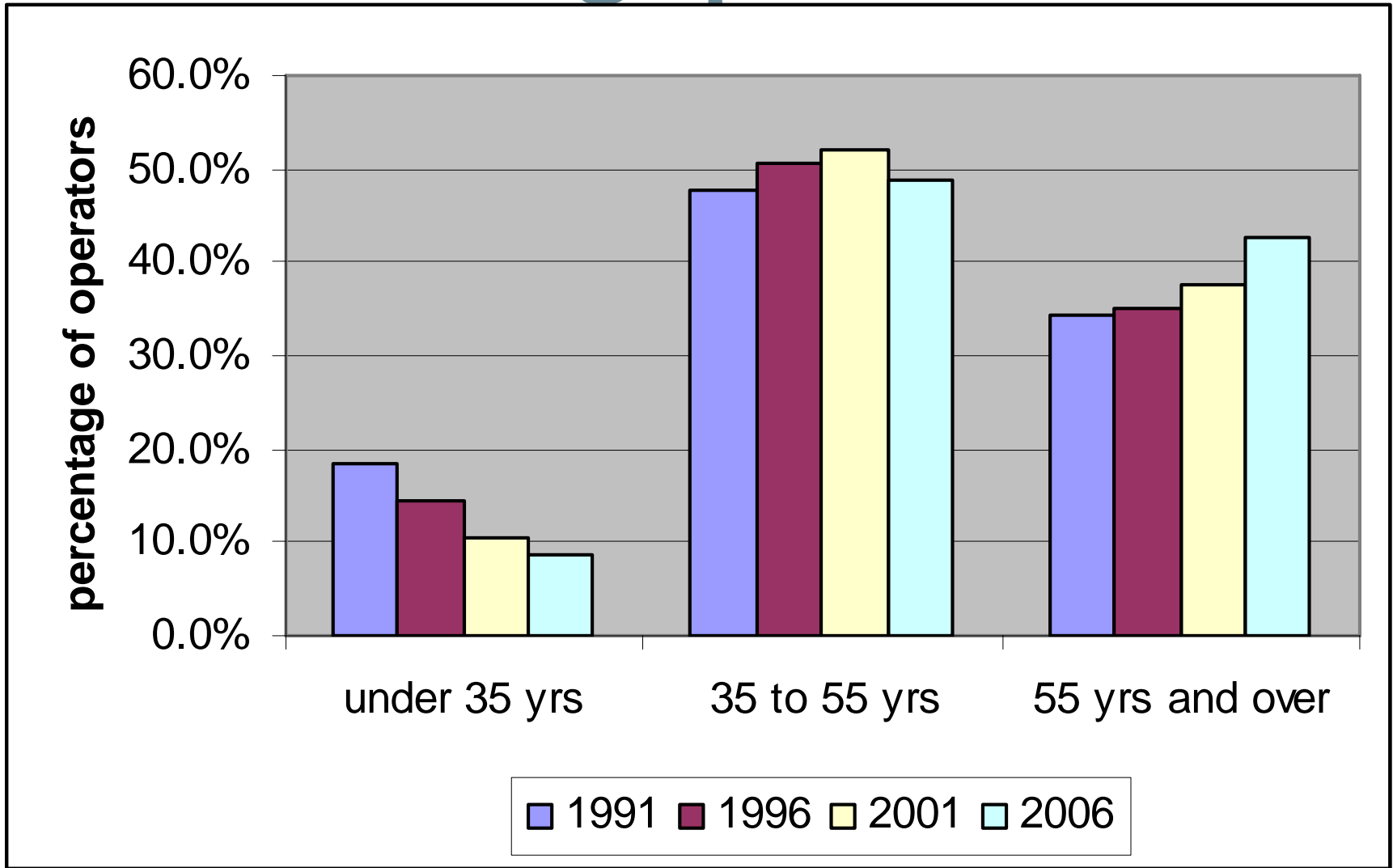
# Current Situation



# Demographics

- Increasing average age of Ontario farmers—52.6 years old according to the 2006 Census of Agriculture compared to 50.7 years old in 2001.
- Ontario farm operators in three age categories — under 35 years, 35 to 54, and 55 and over — shows clear trends (next slide).

# Demographics (continued)

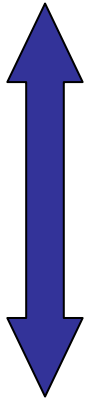


# Farm Size (Acres)

## 2006 Agricultural Census

### Ontario - Farms Classified By Total Farm Area

	2006	2001	% Change
Total farms	57,211	59,728	-4.2%
Under 10 acres	3,163	2,860	10.6%
10 to 69 acres	13,690	12,516	9.4%
70 to 129 acres	12,857	14,262	-9.9%
130 to 179 acres	5,622	6,531	-13.9%
180 to 239 acres	5,472	6,192	-11.6%
240 to 399 acres	7,554	8,556	-11.7%
400 to 559 acres	3,635	3,936	-7.6%
560 to 759 acres	2,175	2,173	0.1%
760 to 1,119 acres	1,640	1,548	5.9%
1,120 to 1,599 acres	762	665	14.6%
1,600 to 2,239 acres	361	288	25.3%
2,240 to 2,879 acres	120	83	44.6%
2,880 to 3,519 acres	66	55	20.0%
3,520 acres and over	94	63	49.2%





# Farm Capital

## 2006 Agricultural Census

Ontario	2006	2001	Change	% of Total	Cumulative
<b>Total number of farms</b>	<b>57,211</b>	<b>59,728</b>	<b>-4.2%</b>		
Under \$100,000	945	1,566	-39.7%	1.7%	1.7%
\$100,000 to \$199,999	3,281	6,794	-51.7%	5.7%	7.4%
\$200,000 to \$349,999	9,736	13,791	-29.4%	17.0%	24.4%
\$350,000 to \$499,999	9,122	9,453	-3.5%	15.9%	40.3%
<b>\$500,000 to \$999,999</b>	<b>16,803</b>	<b>15,060</b>	<b>11.6%</b>	<b>29.4%</b>	<b>69.7%</b>
\$1,000,000 to \$1,499,999	6,767	5,698	18.8%	11.8%	81.5%
\$1,500,000 to \$1,999,999	3,303	2,618	26.2%	5.8%	87.3%
<b>\$2,000,000 to \$3,499,999</b>	<b>4,196</b>	<b>3,015</b>	<b>39.2%</b>	<b>7.3%</b>	<b>94.7%</b>
<b>\$3,500,000 and over</b>	<b>3,058</b>	<b>1,733</b>	<b>76.5%</b>	<b>5.3%</b>	<b>100.0%</b>



# Current Situation

- Some recent estimates:
  - Between 50,000 and 125,000 Canadian farmers could retire over the next 15 years.
  - They control between \$50 and \$90 billion in farm assets.





# Overall Considerations



# Entry vs. Success

## BARRIERS TO ENTRY

- Access to education, training and technical assistance
  - I.e. limited access to good training in management, marketing and communication skills necessary for success in new and value-added marketing opportunities and shortage of farm mentoring opportunities
- Cost of Entry and Access to Resources
  - I.e. access and affordability of land and quota, reliance on debt financing for startup costs, inability to acquire initial capital investment and difficulty obtaining credit for non-traditional farming enterprises and approaches to farming
- Access to markets
  - I.e. difficulty in finding viable farming opportunities, ineffective entry strategies and difficulty in accessing market information on non-traditional markets

## BARRIERS TO SUCCESS

- Barriers to success apply to all in the industry and are long term challenges.



# Considerations

- Interpersonal dynamics.
- Need for retirement funds.
- Profitability relative to asset/capital value.
- Size of capital investment and need to think about new entry strategies (i.e. gradual transfer/purchase of shares, etc.).
- Need for management training (farm-level) and leadership (industry-level) skills development in successors.



# Considerations

- New opportunities in food (health, functional, local, organic, natural, fine, etc.), feed, feedstock, fuel and fibre and the need to develop new ways of doing business (i.e. structures, strategic alliances, etc.) and recognize interdependence.
- Differences between generations regarding lifestyle expectations (e.g. pay, time off, vacations, etc.) and approach to change.
- Complex and intertwined issues—bylaws, tax rules, environmental considerations, profitability, globalization, etc.
- Off-farm career opportunities—opportunity and challenge.



# Possible Strategies

- Develop and improve accessibility to education and training in management, marketing and communication skills necessary for success in new and value-added marketing opportunities.
- Consider and develop different tenure and business models (due to access and capital investment issues) to transition in the next generation—decouple management & ownership.
- Develop new mechanisms to link aspiring and retiring farmers and consider farm mentoring opportunities.
- Think about how to work within the industry to capture new opportunities (local, domestic, value-added, etc.).



# Current Work



# Current Work

- Current work can be categorized as:
  - Awareness (e.g. seminars and workshops, speaking engagements, articles in media)
  - Education, training and skills development for farm families and advisors (e.g. courses, CASS, OMAFRA Farm Tax & Business Seminars, TCRL classroom & web-classroom courses, etc.)
  - Information and resources (e.g. factsheets, publications, workbooks)
  - Planning services (e.g. CFBAS, SBPS, PAVE)



# Conclusion

- Topic—complex and intertwined issues (profitability, accessibility, affordability, globalization, family, tax, legal, societal, etc).
- New farmers—new skills/approaches.
- Any strategy must be sensitive to a variety of linkages and complexities.