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National Farmers Union response to AGRI Committee questions regarding Intergenerational Transfer of Farms and New Entrants

The National Farmers Union is pleased to provide written responses to Agriculture and Agrifood Committee members' October 31, 2024 questions regarding the Intergenerational Transfer of Farms and New Entrants.

The members questions can be summarized as follows:

1. Please provide a more in-depth description of the NFU's proposed Foodshed Lands program and what barriers are addressed by this proposal? And how would capital gains changes be addressed by such a program?
2. How does intergenerational transition in farming differ from intergenerational transition for other kinds of businesses?
3. How can the challenge of affordability for the new entrant farmer be reconciled with the need for retiring farmers to obtain a fair income needed for retirement?
4. Does the NFU work with other groups such as the Young Agrarians to help young and new farmers get started?
5. What viable alternative land tenure opportunities exist or could be developed, such as co-operatives, for example?
6. What impact does investor ownership of farmland have on new entrants' farmland access?
7. What are the specific issues that affect Indigenous farming?

We hope the following addresses, or at least provides useful information and insights for Committee members' consideration of the significant challenges to intergenerational transfer of farms and the success of new entrant farmers.

1. Foodshed Lands

The NFU proposes a Foodshed Lands acquisition program in peri-urban areas across the country, to ensure prime farmland (Class 1-3) is available for food production at rental/lease rates aligned with the land's food production (agronomic) value. This program will promote long-term food security and rural livelihoods, and prevent our best farmland from becoming urban sprawl or highways. Forward-thinking municipalities protect their drinking water sources through watershed protection: this program will protect the long-term agricultural value of our municipalities' "foodshed" lands. Farmers who produce food for sale in the nearby city—with low-emission production methods that protect water quality and biodiversity—will be provided secure tenure on these lands.

Foodshed Lands would be purchased on a willing seller basis by the federal government, and administered via a federal agency working in collaboration with urban municipalities and other local organizations such as co-operatives and community land trusts. Tax law would be amended to allow farm lands sold by farmers to the Foodsheds program to be treated as if it was intergenerational transfer to an immediate family member.

The land would be leased out in small- and medium-sized parcels on low-cost terms to eligible farmers, based on criteria to be developed to ensure fairness and alignment with the program's objectives—including sustainable, low-emissions practices. This would provide affordable and secure access to land for new entrants and others, including new Canadians, young farmers, co-operatives, First Nations, organic growers, permaculturists, agroecologists, small-flock poultry farmers, free-range hog producers, retired farmers, mental health and addictions-treatment programs, youth clubs, religious groups, and others.

Foodshed Lands' proximity to urban areas would minimize transportation costs and emissions, and provide a nearby market for production to support economic viability of the farms. The nearby population would also provide a labour force and economies of scale to support the development of much-needed storage, distribution and further processing enterprises that would expand marketing options for these farms, and enhance economic benefits to urban residents. Foodshed producers would become a keystone that allows us to deliver on the stymied promise of policies that call for fixed targets for "local food" procurement for schools, health care facilities, prisons and civic facilities to support the improved health and nutrition of urban residents.

The Foodshed Lands program would have population-based hectare targets to ensure its benefits are fairly distributed across the country. The fiscal capacity of the federal government would make it possible to acquire land currently being held for speculation in anticipation of housing or industrial development. The national character of the program would encourage nodes of local production in regions with lower population density, allowing opportunities to emerge once a critical mass of farmers become established. The Foodshed Lands program would not only provide an on-ramp to successful farming careers for new entrants, but would add a component of food security resilience in Canada, which currently relies on imported food via increasingly precarious supply chains.

The barriers addressed by the Foodshed program include

- Lack of affordable access to secure tenure for new entrants and other equity deserving farmers (Black, Indigenous, People of Colour, youth, women, gender diverse, new Canadians, people with disabilities)
- Lack of local food options in smaller communities
- Lack of ancillary services (storage, processing, distribution) and markets in remote areas where farmland is more affordable
- Discrimination against new entrants and equity deserving farmers when applying for credit

Capital gains tax considerations for the Foodshed Lands program should be designed to encourage farmers to sell to the program as if it was a family member.

2. **How does intergenerational transition in farming differ from intergenerational transition for other kinds of businesses?**

A key difference between farming and other types of businesses is that farming requires land – and "they're not making any more of it" - whereas other kinds of business can develop needed capital assets through investment alone. Non-farming businesses (other than mines) are not tied to a specific location the way a farm is. Some non-farm businesses do not even require a physical location, such as financial, consulting or digital businesses. The location of farmland is fundamentally tied to biophysical conditions that affect the farm business such as hours of sunlight, frost-free days, soil type, topography. These unique characteristics cannot be generated through investment, whereas other types of business may be able to build, select or renovate their infrastructure to suit their needs.

For farmers, the land itself is the primary productive asset, and must be maintained through careful attention to natural cycles on the farm (carbon, hydrological) to avoid depleting that resource over time. It is often both a home and a place of business for the retiring farmers, as well as the incoming generation. Many farm businesses are also closely tied to their local community through social as well as economic ties. The networks of relationships are often an intangible asset that support the farm's viability. When intergenerational succession occurs within farm families, the younger generation has learned how to farm this particular land from their parents, who in turn may be passing knowledge from their forebears. The intergenerational knowledge transfer between older and younger generations when the new entrants are not family members is supported by relationships with the retiring farmers and/or their neighbors.

3. **How can the challenge of affordability for the new entrant farmer be reconciled with the need for retiring farmers to obtain a fair income needed for retirement?**

This question is not new. Addressing it was one of the main reasons the Saskatchewan government established the Land Bank program in the 1970s. The older generation could not afford to simply give land to their children, and the younger generation could not finance buying the farm to provide their parents with a dignified retirement. The Land Bank purchased land from willing farmers at fair market prices and leased it at rental rates that reflected the land's productive capacity to qualified younger farmers with an option for the lessee to buy the land after five years. Rent payments from leased land supported the program's purchase of additional lands. The program was very successful in supporting intergenerational transfer, but ended in 1982, primarily for political reasons.

This question puts a spotlight on the economic unsustainability of our system: the incomes farmers have earned over decades have not afforded them enough to live on in retirement, and the prospects of earning an income on that same farm into the future are not adequate to allow a young farmer to obtain credit to buy the farm.

The NFU's analysis points to failed policy that has allowed powerful companies (input sellers, grain companies, food processors, seed companies, railways, banks, asset management companies as well as farmland investment companies) to use farms to extract wealth, while government risk management program design has resulting in them preferentially serving the largest farms.

4. **Does the NFU work with other groups such as the Young Agrarians to help young and new farmers get started?**

Yes, the NFU and the Young Agrarians have worked together for years, to support young and new farmers. Young Agrarians tends to focus on supporting learning practical skills, while the NFU focuses on advocacy for better farm policy. Both support land access opportunities and building relationships within and across generations of farmers.

5. **What viable alternative land tenure opportunities exist or could be developed, such as co-operatives, for example?**

Numerous viable alternative land tenure opportunities exist and should be applied more broadly. We have already mentioned a viable historical Canadian example (the Land Bank) which would allow for transition of appropriate parcels from private to public land tenure—which allows for alternative tenure.

While cooperatives change the nature of the individual member's specific control over their land and farming practices, if they remain within the land tenure model that has been compromised—a private real estate market with few controls on speculative investment—they will not provide a true alternative opportunity. A true alternative must extract farmland from this "free" market and ensure that a direct connection remains between payments for land, and the land's productive capacity. Speculative investment in farmland has obliterated this historical connection between the rate for farmland and its productive capacity.

Significant potentially productive public food land holdings already exist—including current and former institutional land, prime farmland within national park boundaries, and a showcase greenbelt around the nation's capital with over 13,000 acres of arable farmland for lease. What these public land holdings share—other than their potential to significantly address land access challenges around major urban centres—is a history of fragmented, and at times contradictory stewardship. To date, these productive lands have been under the control of a hodgepodge of Departments, Ministries, Authorities and Crown Corporations, each lacking capacity and/or appropriate authority to manage the farmland within their mandate through its transition toward sustainable agriculture.

Ideally within a program such as the Foodshed Lands, this farmland would be leased in appropriately-scaled parcels to farmers already employing sustainable farm practices—starting on public lands and using Land-Bank-like investments to enhance or grow contiguous farmland holdings for long-term use in sustainable agriculture.

6. **What impact does investor ownership of farmland have on new entrants' farmland access?**

Farmland investor ownership sees land as a financial asset for its investment value instead of for its ability to produce agricultural products – sometimes described as "gold with dividends" because it holds its value like gold, and the rent farmers pay is like a dividend paid on stocks in a company. The relationship between an investor-owner and the land is quite different from the relationship between the farmer and the land. While the farmer lives on or near the farm and earns an income by planting crops and/or raising livestock (in often uncertain conditions), the investment company shareholders may have never seen a farm, yet "farms the farmers" through rent and land price increases.

Farmland investment companies rely on farmers to operate the farms to produce returns. They put pressure on farmer tenants to maximize yields in order to pay high rents. They encourage draining wetlands, cultivating native prairie, and cutting down hedgerows and shelterbelts to increase the farmable acres and to make it easier to use large equipment that can till, seed, spray and harvest more land faster. Even when renters want to maintain natural habitat on the land, the owner can easily evict them and rent to someone else who would be willing to farm it corner to corner.

The vicious circle of large farms, high rents, high land prices, and rising interest rates make it increasingly impossible for young farmers to buy land even if they are from a farming family. The cost of borrowing millions of dollars for land and equipment is prohibitive, and banks are less willing to take risks on lending to small and/or less experienced farmers.

Like the input companies, banks, grain companies and railways, the farmland investment companies use their size and market power to take more than their fair share of what the farmer produces, leaving less and less of the value of farmers' crops and livestock in the hands of farmers to maintain and improve their own farms or spend in their communities.

The total net income Canadian farmers earn from the market has been stagnant for decades. The purchasing power of these dollars has dropped as the costs for land, inputs and equipment have risen faster than prices for the consumer basket used to calculate the Cost of Living in Canada. This means that the cost of farming has risen much faster than the cost of living. Because of this, it is necessary for each farmer to sell more and more product – and this has to come from more input-intensive farming and/or farming more land. Larger farm size means fewer farmers.

The increasing consolidation of farmland ownership, with larger tracts of land under the control of farmland investment companies and investor-like large farms, is both a symptom and a cause of the farmland access crisis that acutely affects young people and marginalized people who wish to farm. Unchecked, this cycle of consolidation and extraction will continue to eject farmers from the land and fundamentally change the character of our food and agriculture systems, and our rural communities.

To reverse the farmland consolidation, policy responses are needed. This is why the NFU is calling for a ban on farmland investment company ownership of farmland and why we support enactment of legislation in all provinces similar to the *Prince Edward Island Lands Protection Act*, to limit the total amount of land an individual or a corporation may own.

7. What are the specific issues that affect Indigenous farming?

Indigenous growing, farming and harvesting activities are affected by many issues, beginning with Canada's failure to uphold Treaty promises, followed by the devastation of the residential school legacy and the illegal imposition of the Pass System. In spite of these massive historical injustices, Indigenous farmers are on the land, growing and harvesting food for their communities and the market. Land access and security of tenure are significant issues that impact Indigenous food sovereignty in almost every community. The NFU supports the Treaty Land Sharing Network and other appropriate land justice initiatives across Turtle Island. In many northern remote areas, community greenhouses do, or could, provide lower cost fresh food instead of importing from southern Canada. Urgently needed food security, health and economic benefits flow from such projects. Access to credit is often a barrier for Indigenous farmers on First Nations lands, due to some financial institutions' lending policies. Indigenous women are often the knowledge carriers who support young people in their communities to carry traditional Indigenous food knowledge forward. There is a strong Indigenous Food Sovereignty movement which the NFU supports. We encourage the Committee to invite witnesses to share their stories, concerns, issues and recommendations with you directly.