

## **Resolution #7 – Glengarry SCIA – Succession Planning as an Eligible Expense Under CAP**

WHEREAS the Canadian Agricultural Partnership (CAP) is a five-year federal-provincial-territorial initiative to strengthen the agriculture, agri-food, and agri-based products sector and increase its competitiveness, prosperity and sustainability, and;

WHEREAS proper farm succession planning is central to agricultural sustainability, and;

WHEREAS farm succession plans were one of the most popular Farm Business Planning eligible expenses under the previous *Growing Forward 2* program, and;

WHEREAS several other provinces continue to offer support for succession planning under CAP.

THEREFORE, BE IT RESOLVED, that the Ontario Soil and Crop Improvement Association work with other interested groups (Canadian Association of Farm Advisors (CAFA) Farm Management Canada (FMC), OIA, OFA, etc.) to ensure that succession planning be an eligible expense under CAP.

*Moved Don Oliver, Seconded by Duncan Ferguson (Glengarry SCIA).*

**Carried**

**SENT TO** Liz Robertson, Executive Director, Canadian Association of Farm Advisors (CAFA),  
Heather Watson, Executive Director, Farm Management Canada (FMC)

**COPY TO** Joerg Zimmermann, Chair and Peter Jeffery, Senior Farm Policy Analyst,  
Ontario Federation of Agriculture (OFA)

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### **RESPONSE FROM CAFA EXECUTIVE DIRECTOR**

*Dear Andrew,*

*Thank you for sharing Resolution #7, “Succession Planning as an Eligible Expense Under CAP”, from the recent 2019 annual Glengarry OSCIA delegate meeting. CAFA is disappointed that farm transition planning support is lacking in several provincial jurisdictions under the new Canadian Agricultural Partnership program.*

*The new CAP programs focus on:*

- *Growing trade and expanding markets;*
- *Innovation and sustainable growth;*
- *Supporting diversity and a dynamic, evolving sector.*

*The agri-food sector has been identified as an engine of growth for Canada with some ambitious targets set by the Agri-Food Economic Strategy Table: agricultural exports at \$85 billion and agri-food exports at \$140 billion by 2025.*

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*These are aspiring goals however, without a solid foundation of well-managed farm businesses and strong working-family relationships, their attainment may be less certain.*

*Consider three facts that will be a destabilizing force on Canada's farms over the next 10 years:*

- 1. 50% of farmland will be changing hands over the next 10 years. (Food Secure Canada)*
- 2. 75% of farmers do not have anyone lined-up to take over their farm. (Food Secure Canada)*
- 3. 92% of Canadian farms have no transition plan. (Statistics Canada)*

*CAFA was created to ensure that farm families and farm businesses have access to quality, timely advice to help them better manage and transition their farms, because a solid business plan and successful farm transitions are fundamental to healthy sustainable farms. Solid farm foundations generally proceed growth and innovation.*

*CAFA agrees with OSCIA Glengarry delegates, that to strengthen the agricultural and agri-food sectors, government funding support for farm succession planning needs to be a prioritized eligible expense under CAP. Although numbers show poor uptake on written transition planning, every opportunity needs to be available to farm families and businesses to start the process.*

*This letter speaks on behalf of CAFA's Board of Directors who represent almost 600 CAFA members across the country.*

*If you require further information, please feel free to contact me at the co-ordinates on this letterhead.*

*Sincerely,*



*Liz Robertson., M.A. CAFA Executive Director*

## **RESPONSE FROM FARM MANAGEMENT CANADA EXECUTIVE DIRECTOR**

*Dear Andrew,*

*Thank you for bringing Resolution #7 (Succession Planning as an Eligible Expense Under CAP) from your recent delegate meeting to our attention.*

*Farm Management Canada (FMC) is Canada's only national organization dedicated to the development and delivery of advanced farm business management resources, information and tools to position farmers for sustainable growth and continued prosperity through business management excellence.*

*Our national coordinating role is unique and provides an opportunity to see the programs and services available to farmers across Canada, and work with industry stakeholders to create an environment where Canada's farmers have an equal opportunity for success.*

*Compared to Provincial and Territorial counterparts offering cost-share funding for advisory services, Ontario is the only jurisdiction that does not support succession planning under CAP.*

*In order to support the long-term sustainability of the agriculture and agri-food sector, we must consider succession planning - also called transition planning, as a necessary component of and counterpart to business planning: it is the only process that links one generation to future generations involved in the farm business to ensure the farm remains healthy for generations to come.*

*Many farms concentrate on the here and now, without taking the time to consider, and put a process in place that will address how everything happening today will survive and thrive for future generations. Who will continue the farm dream? What needs to happen today to maximize their chances for success? How will decisions taken now, have an impact on the future of the farm, and family?*

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*A succession plan ‘protects’ the farm, farm team and farm family by ensuring the current and future generation have a mutual understanding of and respect for one another’s decisions. In our experience, succession planning is one of the most effective ways for farms to start implementing farm business practices, including business planning, in order to set the next generation up for success.*

*Lobley and others have studied what they refer to as “the Succession Effect<sup>1</sup>,” whereby the owner/manager will continue to invest in the farm when a successor has been identified. Conversely, when a successor has not been identified, the owner/manager will naturally begin to take less risk and decrease investments in the farm as they head towards the “end” of their farming career. Currently only 48% of farms have an identified successor, bringing about the Succession Effect and compromising the viability of the farm for future generations.*

*In a much different business environment than their predecessors, our future farmers deserve a fighting chance to succeed.*

*Agriculture has never seen a period of such volatility, change and uncertainty like the one we find ourselves in today. By 2050, farmers must produce 70% more food to feed 9 billion people around the world<sup>1</sup>. Further, Canada has set an ambitious target for agriculture to become Canada’s key economic driver, moving from the world’s 5<sup>th</sup> to 2<sup>nd</sup> largest exporter, increasing exports to \$85 billion by 2025<sup>2</sup>. At the same time, 75% of Canada’s farms will change hands over the next 10 years<sup>3</sup>.*

*According to the 2016 Census of Agriculture, only 8% of Canada’s farms have a written succession plan. However, businesses that do not have a succession plan have a 66% chance of failure, and devastating effects on family harmony.*

*While we recognize most farmers did not get into farming to be business managers, we also recognize what got farmers to where they are today, will not be enough to meet future demands, challenges and opportunities. Agriculture will experience what renowned expert and farm family coach Elaine Froese calls “the tsunami of agriculture,” whereby 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 more critical than ever.*

*Canada’s farmers require a solid foundation for success. Support is required to help Canada’s farmers gain the necessary skills and adopt the necessary tools to manage risk and empower sustainable growth.*

*We therefore encourage Ontario to think of succession (and farm transition) planning as a necessary component of and complement to business planning and its current economic development suite. Succession planning impacts business analysis, market development and productivity. Succession planning should therefore be prioritized as an eligible expense under the Canadian Agricultural Partnership.*

*Please feel free to contact me directly if you have any questions or seek further information.*

*Sincerely,*



*Heather Watson, Executive Director*

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<sup>[1]</sup> FAO. 2009. How to Feed the World in 2050

<sup>[2]</sup> Innovation, Science and Economic Development Canada. 2018. Report from Canada’s Economic Strategy Table: Agri-Food

<sup>[3]</sup> BDO Tax Bulletin: Succession Planning for the Transition of a Family Farm November 2014.

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**Grassroots Innovation** *Since 1939*