



State of Farm Succession

Ag Excellence Conference
Saskatoon, Saskatchewan
Feb 3, 2010



Background

Stats Can. 2006	<u>Can.</u>	<u>Sask.</u>
<35 years old	29,925	5,905
35-54 years old	164,160	28,360
>55 years old	<u>132,975</u>	<u>24,920</u>
Total	327,060	59,185



Background

Percent of Canadian farm operators

	<u>2001</u>	<u>2006</u>
<35 years old	11%	10%
35-54 years old	54%	48%
>55 years old	35%	42%



Background

Percent of Saskatchewan farm operators

	<u>2001</u>	<u>2006</u>
<35 years old	12%	10%
35-54 years old	51%	48%
>55 years old	37%	42%



Background

Canadian average lifespan

Male

78 years

Female

83 years

Medium farmer age

52 years



Background

2006 Stats Can.

Can.

Sask.

Land owned

61%

60%

Land leased

39%

40%



Why farmers delay succession planning?

How to start the succession process?

- What do we do first?
- Where to go for help?
- How can we engage our parents?
- Who can help?



Why farmers delay succession planning?

Financial Concerns

1. No equity or off farm investments
2. Need to continue with income source
3. Cheaper to live on farm
4. Lack of profitability and cashflow
5. Fear of future viability



Why farmers delay succession planning?

Personal reasons

1. Farmer identity and purpose
2. Redefine themselves
3. No hobbies
4. Fear of unknown



Why farmers delay succession planning?

Successor and Family Relationships

1. No successor or successor not ready
2. Remain in control
3. Fear of family conflict
4. Fear of working together



Why farmers delay succession planning?

Cost of professional services

Succession Plans \$2,000 - \$15,000

$\$10,000 / 3,000 \text{ acre farm} = \$3.30/\text{acre}$

$\$10,000 / 3,000 \text{ acres} / 30 \text{ years} = \$.12/\text{acre}$



Retiring farmer priorities?

1. Financial security
 - housing requirements?
 - family living costs?
 - preferred lifestyle?



Retiring farmer priorities?

2. Continued involvement in farm ownership, management, labour
3. Family harmony
4. Farm sustainability



Beginning farmer needs?

1. Strategic planning
2. Access to capital
3. Skill development



Beginning farmer wants?

4. Financial stability/profitability
5. Long term arrangements
6. Risk management
7. Social networks and services



Who are the players?

Canadian Agricultural Farm Advisors (CAFA)

A non profit profession organization dedicated to assisting farm businesses by increasing the skills and knowledge of farm advisors.

- 394 Canadian members
- 84 Saskatchewan members



Who are the players?

Farm Credit Corporation

- FCC website: 25+ succession factsheets
- FCC Forums, Learning Tours, Special Events
- 9 AgriSuccess workshops: 4 succession related
- 3 loan products specific to beginning farmers
- Farm advisors on staff



Who are the players?

Banks and Credit Unions

- Websites full of farm and business succession information, publications, videos, calculators and worksheets
- succession speakers and workshops
- Financial/retirement/succession planners on staff



Who are the players?

Accountant and Legal Firms

- More than tax and legal advice
- Know specifically who needs succession plans
- Specialized profession succession services and staff



Who are the players?

Insurance and Certified Financial Planners

- Individual programs, services, seminars
- Calculators, workshops, planners
- Retirement and tax planning
- Investment planning



Who are the players?

- **Western Farm Leadership Council**
- **Agriculture Producers Association of Saskatchewan**



Who are the players?

Saskatchewan Immigrant Nominee Program

- Farm Owner/Operator Program
- Young Farmer Program
- Skilled Worker – Farmer Program



Who are the players?

Canadian Farm Business Management Council

- www.farmcentre.com
- Guides, publications, FAQs, DVDs, worksheets
- Agriwebinars
- National Farm Succession conferences
- Ag Excellence Conference



Canadian Farm Business Management Council

Farm Advisory Listing Service

66 Canadian Succession Planning advisors

29 Saskatchewan Succession Planning advisors



Saskatchewan Ministry of Agriculture

- Farm Business Management Specialists
- Speaker and counseling services
- Publications, planners, worksheets
- Succession planning workshops
- "A Guide to Selecting a Consultant"
- "Farm Business Development Initiative" program
- "Comprehensive Farm Succession Guide"



Ministry Farm Business Management Specialists

Kindersley	463-5513	Moose Jaw	1-866-457-2377
N.Battleford	446-7964	Outlook	867-5575
Prince Albert	953-2363	Swift Current	778-8218
Tisdale	878-8842	Watrous	946-3220
Weyburn	848-2857	Yorkton	786-1531



Farm Business Development Initiative

1. Business Strategy
2. Marketing Strategy
3. Production Economics
4. Human Resources
5. Financial Management
6. Environmental Strategy
7. Succession Planning
8. Business Structures
9. Risk Management



Farm Business Development Initiative

Taking Stock: www.agriculture.gov.sk.ca/TS

- Farmer self assessment in 9 progressive farm business management practices
- Identifies strengths, cautions, weaknesses
- Sets high, medium or low priorities
- Develops action statements



Farm Business Development Initiative

Farm Development Plan

- Summarizes the results from the Taking Stock
- Reviews the resources available in each of the Farm Business Management practices
- Assists the farmers find the resources to meet their individual needs
- Assists farmers to establish priority actions



Farm Business Development Initiative

FBDI application process

- Eligible activities include information, training or consulting services
- Financial benefits max \$4,000/eligible applicant
- Cost share 25% producer : 75% FBDI
- Farmers complete the activity and reimbursed for eligible expenses



Comprehensive Farm Succession Planning Guide

1. Process

2. Critical Issues

3. Tools

4. Strategies

4. Taxes

6. Fillable Outline



Future Challenges

Farms and farmers are changing

- Fewer and larger farms, labour shortages
- More leasing of land and equipment
- Improved farm management skills
- Immigrant farmers
- Farm owners vs managers
- Full or part time farmers



Future Challenges

Investment in land and farm assets

1. Steady rise in land and machinery values
2. Introduction of Land Investment Companies
3. Owning vs renting
4. Risk Management strategies



Future Challenges

Farm Structure and Agreements

1. Can we afford to refinance every generation?
2. Proper structures and agreements
3. Cooperation between retirees and successors
4. Long term agreements/sharing of risk
5. Arms length successors



Future Challenges for Ministry of Agriculture

- Positive image associated with SP
- Awareness is everyone's responsibility
- Cooperation and coordination among players
- Referrals to appropriate resources or individuals
- Open minded to new challenges
- Ensure good resources are available



Conclusions: Negative

- Many farmers and farm assets to transition
- 87% farmers still consider Succession Planning as a weakness or caution
- Farm assets will transition with or without a SP
- Many producers still do not know where to go for information or help



Conclusions: Positive

- Many good succession plans are implemented on a regular basis
- Good players and individuals providing excellent services every day
- Excellent products, services and tools available



Recommendations to retirees

1. Start early/be positive
2. Become educated-terms, tools, strategies
3. Ask about family expectations?
4. Seek advice/ask questions
5. Create and implement a plan
6. Improve your successor's chance of success



Recommendations to successors

1. Start early/be positive
2. Become educated-terms, tools, strategies
3. Challenge the retirees
4. Seek advice/ask questions
5. Create and implement a plan
6. Improve your chance of success



Farm Succession Challenge

- Establish a priority for Succession Planning
- Commit to start the process
- Identify and record a farm succession goal



Thank you/Questions

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