

# THE FARMYARD

## Farmland Insights and Trends

### Volume 2, Issue 1

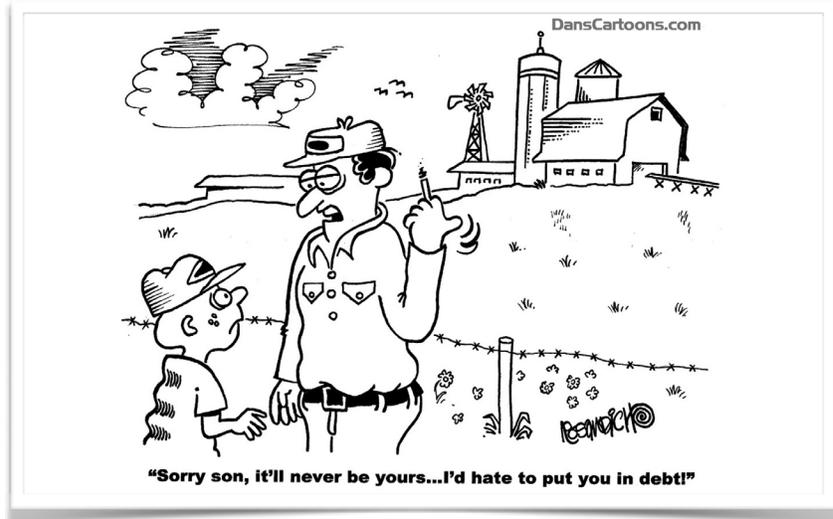
With this issue, the team at AGinvest Properties Canada is striving to provide timely and thought-provoking insights on the underlying trends, influences, and developments shaping the outlook for Ontario farmland. We hope you will find it of value.

### Farmland Values

Evidence continues to build that high-quality (Class 1) farmland in the Chatham-Kent region of Ontario remains well bid. Through our contacts, we recently learned that a 260-acre farm put up for tender sold for \$23,000 per acre.

### Our Activity

To offer individuals who are "accredited investors" the opportunity to invest in Ontario farmland, AGinvest is aligning itself with an exempt market dealer. Once done, AGinvest plans to launch a farmland product that is structured to outperform competitive offerings.



## Transferring a Farming Business to Family Members: Not at Simple Process

Family farm succession is a matter that farm owners throughout Canada are increasingly having to address. The principal reason is that the *average* age of Canadian farmers continues to steadily rise. Twenty years ago, the average age was 47. Today, it is 56.

### *Complicated and Emotional*

The process of a farm owner determining who will be his or her successor, and how the family farm will be handed over to the next generation, can be complicated and emotional. This is particularly true in cases where a farming family has several interested successors. Equally challenging are situations whereby one son or daughter wants to farm while his or her siblings want to leave the business. The greatest challenge is for the parent to



## Proposals by the Canadian Food Inspection Agency

On January 5, 2018, the Canadian Food Inspection Agency (CFIA) released a report titled, *'What We Heard Report – The Proposed Safe Food for Canadians Regulations Consultation.'* It examines pending regulatory changes:

- (1) The CFIA has proposed a "Preventative Control Plan" and mandatory licensing to ensure food safety in Canada. Larger firms are supportive, but smaller ones state they need more government support.
- (2) The CFIA has proposed the enhancement of the organic food certification process. Except for those involved in slaughter, storage, and conveyance, stakeholders are supportive.
- (3) The CFIA has proposed harmonizing the regulations for domestic food businesses and importers to help "level the playing field." Except for a clause that would permit non-resident importers to obtain import licenses, this proposal has broad stakeholder support.

create a plan that is fair to all children, while at the same time ensuring that the family farm remains economically viable.

### *How to Transfer Assets*

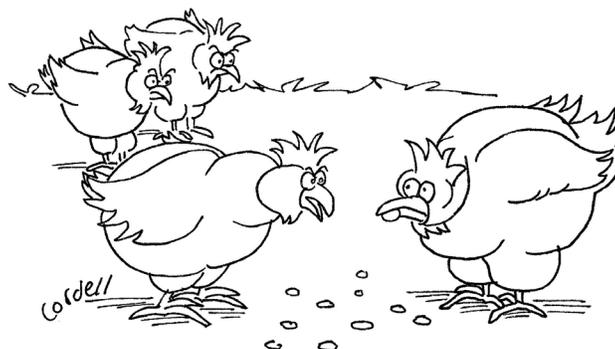
According to the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), there are several methods to transfer farming and other assets to the next generation. They are: (i) By **bequest** through an individual's will; (ii) By partially **gifting** the farm to the children by selling it to them at *below* fair market value, or by gifting them non-farming assets; (iii) By **selling** the farm to family members *at* fair market value; or (iv) By employing a **combination** of bequest, gift, and sale. Each method strives to minimize taxes on transfer while retaining fairness to all children.

### *Important Issues*

Typically, a change in farm ownership involves two components. One component is **procedural**, dealing with the how, when, and what to transfer. It consists of the analysis of the financial needs of the parents, tax implications, credit arrangements, business organization, operating agreements, insurance, wills, and legal documentation. The second component is **psychological**. This part involves the meshing of personal and business goals, the willingness to let go of ownership, the selection and training of a successor(s), and communication among family members.

### *When to Start Planning?*

The best tax results often require a 2-3 year window. Family dynamics may dictate that succession planning starts even earlier.



"Oi! There's a pecking order around here, you know."