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# Standing Committee on Agriculture and Agri-Food

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Chair: Mr. Kody Blois





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• (1635)

[English]

**The Chair (Mr. Kody Blois (Kings—Hants, Lib.)):** I call the meeting to order.

All right, colleagues, we're going to get started here. Can I have your attention, please, particularly my honourable colleagues from the NDP and from the Bloc? Order, please.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, October 24, the committee is resuming its study of the intergenerational transfer of farms and new entrants.

I would like to thank our witnesses for being very patient. I apologize. We had four votes in the House, which obviously have to take precedent.

We're a bit behind schedule, but here's how we're going to handle things today.

We have, I believe, seven witnesses across two panels. We're going to handle this by having one major panel. We're going to allow everyone to provide their opening statement, and then we're going to do three rounds of questioning, so there will be our normal two rounds and then five minutes for the Conservatives and five minutes for the Liberals. That should put us right around 6:15. It will be a bit truncated, but it's the best we can do in the circumstances, and we want to be mindful of our time and our witnesses' time.

The only other thing I need from you, according to my clerk.... We have Mr. MacGregor and Mr. Epp, who are going to be joining us as substitutes, but on a more permanent basis, up until Christmas. Apparently, we need to get some type of motion from the committee to give them access to the digital binder and distribution list. I'm sure that won't be a problem, unless we really want to punish them. I don't see any issue.

(Motion agreed to)

**The Chair:** Colleagues, with us today from the Canadian Cattle Association are Jack Chaffe and Ryder Lee. From the Nova Scotia Federation of Agriculture, we have Allan Melvin. From the Ontario Federation of Agriculture, we have Coralee Foster, who is also a partner at BDO Canada.

[Translation]

From the Union des producteurs agricoles, we have Martin Caron, general president; David Tougas, coordinator of economics and trade; and Marc St-Roch, accounting and tax coordinator at the Research and Agricultural Policy Directorate.

From the Fédération de la relève agricole du Québec, we have David Beauvais and Véronique Simard Brochu.

[English]

From Just Food, we have Moe Garahan joining us here in the room. It's so great to have you.

[Translation]

Finally, we welcome Mr. Louis Dionne, executive director of the Centre de référence en agriculture et agroalimentaire du Québec, who is responsible for the ARTERRE service.

[English]

Welcome to you all. Thank you for being here.

I'm going to start with the Canadian Cattle Association for up to five minutes. We're going to go rapid fire.

Go ahead, Mr. Chaffe.

**Mr. Jack Chaffe (Officer at Large, Canadian Cattle Association):** Thank you for the opportunity to present on behalf of the Canadian Cattle Association, CCA, in your study on intergenerational farms and new entries.

My name is Jack Chaffe. I'm co-chair of CCA's domestic agriculture committee and past president of Beef Farmers of Ontario. Along with my family, I own and operate a beef feedlot in south-western Ontario.

Today I'm joined by my colleague Ryder Lee, who is online. He is general manager of the Canadian Cattle Association. Also, as an observer in the back, I have my son here, who is lobbying on behalf of the National Cattle Feeders' Association today in their lobby day.

CCA is a national organization representing Canada's 60,000 beef producers. The Canadian beef industry is a significant driver of our economics and a global leader in sustainability, contributing \$21.8 billion to Canada's GDP and supporting approximately 350,000 full-time equivalent jobs. A prosperous and thriving beef industry generates considerable economic, environmental and social opportunities and benefits for Canada.

CCA has been extensively engaged in discussions on intergenerational farm transfers and succession planning for several years through advocacy on Bill C-208 and its amendments in several budgets since.

I would like to begin by emphasizing the smooth intergenerational transfers on beef operations within farming families are critical to maintaining the sector's reputation as a major contributor to global and domestic food security.

However, CCA is concerned about recent changes to the capital gains measures, as announced in budget 2024. It will increase the requirement to sell off pieces of farms with these changes. The federal government needs to ensure that this does not happen and jeopardize the current tax policies that allow continuing of the intergenerational transfers of beef operations within families. These include mechanisms such as employment ownership trusts and small business corporation shares.

We emphasize and are concerned about the lack of meaningful consultation time in advance of this announcement in the budget. Beef producers did not have time to analyze the changes and their impact on their family operations. It is important that the government recognize the undue consequences of each operation. It is difficult to quantify the changes of the sector within the proper consultation time.

We also have concerns about the impacts of the inclusion rate, despite the changes announced on August 12. While we are pleased to see the changes in lifetime exemptions, the other amendments to the measurements are counter to the announcements in Bill C-208 and to the amendments in budget 2023. By increasing the capital gains inclusion rate, the federal government risks weakening the provisions under Bill C-208 that facilitate smooth intergenerational farm transfers to the younger producers.

The majority of Canadian cattle farms operate under family-run businesses. Each farm has its own unique operational structures. To address the vast differences between those structures, producers need greater clarity regarding the changes between August 12 and those announced in budget 2024.

As our sector continues to adopt and create new business structures, such as those where aunts, uncles, nieces and nephews are now working together, we need to ensure that these new structures are realized and reflect the government's tax policy when it comes to succession planning. By recognizing these new realities, the government can demonstrate that it is meeting the needs and expectations of our sector and not jeopardizing the existing exemptions at a time when we need all tools at our disposal to streamline asset transfers to that next generation.

To close, our sector is at risk of losing a significant portion of the workforce, as farmers may retire without a viable succession plan. This also places Canada's rural economy at risk of declining. We need to ensure that government policies do not unintentionally contribute to the decline in agricultural production in Canada.

• (1640)

I'd like to thank you for having me appear, and I look forward to answering questions.

**The Chair:** Thank you very much.

We'll now turn to Mr. Allan Melvin, president of the Nova Scotia Federation of Agriculture. He is no stranger to Kings—Hants.

It's over to you, sir.

**Mr. Allan Melvin (President, Nova Scotia Federation of Agriculture):** Thank you, Mr. Chair and committee members, for the opportunity to appear today to discuss the intergenerational transfer of farms and new entrants.

My name is Allan Melvin. I am the president of the Nova Scotia Federation of Agriculture and a sixth-generation vegetable farmer based in the Annapolis Valley. Since 1895, the Nova Scotia Federation of Agriculture has represented Nova Scotia farmers, covering more than 90% of the province's agricultural production.

The challenges surrounding intergenerational transfer and attracting new entrants are significant in Nova Scotia. Our province is home to rich, productive agricultural lands that have been sustainably farmed, protected and improved over generations. Maintaining and expanding our food production depend on the ability of the next generation to take up and continue this work.

Unfortunately, our industry does not feel prepared for this transition. The average age of farmers in Nova Scotia is almost 59—the highest average in Canada—and 62% of farms report a need to transition within the next decade. Over the winter of 2024, the NSFA conducted a survey among members to gauge the state of succession planning. The results were concerning, with only 8% of farmers currently having a detailed succession plan in place. Succession challenges in agriculture create unique vulnerabilities, with potential impacts on rural economies and food security. Addressing these challenges is not about finding one solution. It will require a multi-faceted approach of innovative thinking and collaboration with industry.

Supporting these transitions is increasingly urgent, as the agriculture industry faces uncertainty in attracting new entrants. In Nova Scotia, the NSFA has been calling for the return of a land bank program, which would support both farm transitions and new entrants. Land banks are designed to support economic growth by providing flexible financing options and connecting aspiring farmers to farmland. This can be part of the solution that will allow farmers to retire with dignity and enable the successful entry of the next generation.

The financial barriers to entry into farming have become a critical issue. Between 2010 and 2023, the average value of farmland in Nova Scotia has more than doubled, from \$1,663 per acre to \$3,912 per acre, with some of our most productive land reaching up to \$20,000 per acre. Prices continue to be driven up by development pressures and a trend towards land being used as an investment vehicle. This rise has made it increasingly difficult for aspiring farmers to afford land. Many families face situations in which children have pursued different careers, leaving farms without a successor. For these farms, finding a successor is not just a matter of business. It is about maintaining the economic capacity and vibrancy of rural communities.

Another significant barrier for new entrants is a lack of adequate business risk management programs. Today's new farmers must contend with much higher debt loads earlier in their careers, and this challenge is compounded by increasingly unpredictable weather patterns. The current business risk management programs under SCAP do not meet the needs of modern farming. They do not provide sufficient financial stability to offset the risks associated with a changing climate. They particularly struggle to meet the needs of Nova Scotia farms, which are diverse in size and often produce multiple commodities. The frequency and severity of extreme weather events—from hurricanes like Fiona to unprecedented summer rainfalls causing significant floods—have added to the stress of operating a farm. For many young farmers, the prospect of entering such a volatile industry without strong risk management is daunting. This lack of comprehensive support means many will not consider farming as a viable career path. Improved business risk management is critical for new entrants, who are carrying significant debt loads to acquire their farms.

Another area of concern is the rising tax burden on farms. Taxes can impact the day-to-day operations, succession planning and overall financial health in ways few other costs do. The budget 2024 changes to capital gains that came into effect in June have created complications for farmers who are actively involved in the succession planning process. Farm transitions require years of planning, involving legal, financial and family considerations. With 62% of farms in Nova Scotia set to transition or retire in the next decade, this sudden shift adds another layer of difficulty to the industry's efforts to find new entrants and maintain the rural fabric and resilience that come with family farming transitions.

In closing, I would like to thank the committee again for inviting us here to discuss these issues. The intergenerational transfer of farms and the need to attract new entrants are critical challenges facing our industry. As we work towards solutions, it is essential that we address these barriers to ensure that Nova Scotia's agricultural future remains strong and resilient.

Thank you.

• (1645)

**The Chair:** Thank you very much, Mr. Melvin.

We'll turn to Ms. Foster for up to five minutes, please.

**Ms. Coralee Foster (Partner, BDO Canada, Ontario Federation of Agriculture):** My name is Coralee Foster. I'm also from Mitchell, which is in southern Ontario.

I'm here today to bring two perspectives to the committee. I'm a partner with BDO, a national public accounting firm with offices in rural areas across Canada. I'm also part of the leadership of BDO's national agriculture industry group.

My own client base in Mitchell comprises primarily farmers and agribusinesses producing a variety of commodities. They range from small producers to large operators, but what they all have in common is that they are family farms.

I also bring with me personal experience. My family operates an 1,100-acre cash crop farm, which we successfully transitioned from my husband's parents to us. Our two adult sons represent the seventh generation to farm in Perth County, both within our existing operation and through their own ventures. We always structured our operations with a future transition in mind, should they choose to farm. We anticipate completing this transition over the next decade.

The meeting your committee had last week focused heavily on the capital gains rules. I don't want to delve into the technical details of tax policy, but I do want to express our industry's concern over the complexity and unpredictability of tax changes. I've been in public accounting for over 30 years, and each year the Income Tax Act has become increasingly complex and burdensome.

Our firm has a dedicated team specializing in tax reorganizations and succession planning. This specialization is necessary due to the rapid pace of regulatory changes and the complexity of the legislation. Smaller practitioners often seek expertise from firms like ours, because the regulatory environment is so challenging.

There is significant demand for succession planning across the country, but there are not enough qualified accountants to meet this need. This situation risks non-compliance or succession planning being done only in crises or after a death, and that rarely achieves the desired outcome.

Numerous tax changes have been proposed and subsequently amended, causing significant uncertainty and frustration for farmers and their advisers in trying to plan. Examples include the private corporation proposals, specified corporate income, Bill C-208, the underused housing tax, and trust reporting. The proposed capital gains changes from spring remain draft legislation.

These issues cause upheaval and necessitate quick and often inefficient responses. Accounting firms spend considerable time understanding these changes, educating staff and clients and implementing plans that ideally should be executed over several years, not just a few months. Planning is challenging without the stability of the rules. There are many skilled accountants and firms across Canada who have dedicated their careers to farm tax and would welcome the opportunity to be consulted on proposed changes in order to identify concerns in advance.

In addition to the unpredictability and complexity of income tax legislation, there are two specific areas where changes could be beneficial, based on what I see in my practice.

The first is extending the favourable intergenerational rollover provisions to apply to transfers to nieces and nephews in the same manner as they do to children.

The second is providing more options to transition from one farm operation to another without triggering a large tax burden. Expanding the existing replacement property rules to allow farmers to exchange land, all farm and agribusiness buildings, and quota more flexibly could create more opportunities for the next generation to bring in new income streams.

However, beyond tax measures, I believe that there are other impediments to farm transition that government policy could address.

The first is around financing. The cost of capital required to farm is significant. Fortunately, with intergenerational transfers, the debt is often partially funded with promissory notes held by parents, but this is usually the only way for the transaction to be financially feasible. Working capital presents a bigger challenge to new farmers. The number of interest-free advances under the current advanced payment program has fluctuated. Enhancing this program for new farmers to maintain a higher limit permanently or to provide other incentives could make it more accessible.

Education is another area. Farm kids often excel at operating equipment and handling barn chores from a very young age but frequently lack administrative, human resource, accounting and management skills. As farms grow more complex and larger, new owners need to be more adept. Funding for a wide range of existing and not necessarily government-created courses could help.

• (1650)

The final area is farm programs. AgriInvest, in its current form, does not provide a significant source of funding for farm operations, and AgriStability is unpredictable. In general, the programs could be more meaningful and simplified for the whole industry in order to be more beneficial to new farmers.

Finally, under a previous version of the Growing Forward program, funding was available to cover a portion of the costs for succession planning. While it may not have prompted clients to under-

take work they weren't already planning, it did encourage some to do so sooner and more thoroughly.

I thank you for this opportunity today.

• (1655)

**The Chair:** Thank you very much.

[*Translation*]

We will now go to the UPA, the Union des producteurs agricoles.

Mr. Caron, you have the floor for five minutes.

**Mr. Martin Caron (General President, Union des producteurs agricoles):** Thank you, Mr. Chair.

Honourable members, my name is Martin Caron. I am a dairy and grain farmer in Louiseville, in Mauricie, and the general president of the Union des producteurs agricoles, which represents 42,000 farmers in Quebec.

The agriculture sector is important to our economy, generating about 7% of Canada's GDP. However, the decline in the number of farms in Canada is a worrying reality. From 2011 to 2021, Canada lost 8% of its farms. That is nearly 15,856 fewer businesses. This situation is all the more alarming given that only a small proportion of farm businesses have a succession plan. Only 22% of businesses have a succession plan and 8.5% have a written plan. In this context, if we want to maintain the family farm model, it is imperative to reflect on this important issue and encourage the next generation, whether they are a farmer's family members or not.

In a context where the average age of farmers continues to rise, the proportion of farmers aged 55 and over has increased from 48% in 2011 to 61% in 2021. Without adequate transfer preparation, businesses risk being absorbed by larger, more centralized structures.

Maintaining the diversity of agricultural models is critical to ensuring resilient and sustainable food production. Small and medium-sized agricultural businesses play a vital role in the economic, social and environmental balance of our regions. Their disappearance would result in a significant loss of that diversity, standardization of production and an erosion of the economic autonomy of many rural communities. While profitable in the short term, centralization weakens our rural regions and compromises the country's food resilience.

In addition, young people wishing to enter agriculture face significant financial and land barriers. Their ability to acquire land and equipment is limited by high costs and fierce competition with larger, better-funded entities.

In order to encourage the transfer of farms and the integration of new producers, a number of solutions must be put in place. Here are a few proposals to that effect.

First of all, a number of tax rules have been adjusted in recent years to improve the conditions for transferring farm businesses, including the possibility for family succession to finance the parental withdrawal and allow parents to benefit from the lifetime capital gains exemption. However, extended family farms deserve special attention. Tax incentives could facilitate the transfer of these farms, particularly by allowing the transfer of farm assets without tax implications to a nephew or niece who will continue the operation, in order to maintain it in a family setting.

Farm trusts are currently being set up in each of the provinces. This new mechanism secures access to farmland for producers without them having to buy it, leaving the farm trust to acquire the property and lease it back to them in the long term. At the same time, it preserves the agricultural purpose of the land purchased, since the trust does not seek to resell its properties, but aims to continue leasing to young farmers as long as possible. These organizations will have land banks that will help new businesses, thereby contributing to the country's food security. These organizations are registered with the Canada Revenue Agency as charities.

Like education savings plans, similar measures could encourage farmers to save for the transfer of their farms. That would reduce the financial pressure on the buyer, who would have to pay less. The farmer could contribute to a savings plan and the government could match it. However, the government share would only be accessible to the saver if the farm were transferred to a new generation under certain conditions that would ensure the farm remains viable.

• (1700)

We are convinced that these concrete measures would contribute not only to the stability of the agricultural sector, but also to ensuring the viability of our rural regions for decades to come.

**The Chair:** Thank you very much, Mr. Caron.

Mr. Beauvais, you now have the floor for five minutes.

**Mr. David Beauvais (President, Fédération de la relève agricole du Québec):** Thank you, Mr. Chair.

I'd like to thank you and the members of the committee for having us here.

My name is David Beauvais. I'm a sheep producer in Magog, in the Eastern Townships, and I started a business in 2019. With me today is Véronique Simard Brochu, executive director of the Fédération de la relève agricole du Québec, of which I am president.

The Fédération de la relève agricole du Québec brings together 2,200 volunteer members from all regions of Quebec, representing all types of production. We have drawn up an interesting portrait of the next generation of farmers, and much of the data has already been mentioned. It's interesting to note that, in Quebec, almost half of young farmers—44%—have to work outside the business, mainly for financial reasons. Nearly 55% of transfers are family transfers, and 35% of young farmers' businesses are start-ups. Quebec's generational renewal rate is one of the best in the country, at 30%, compared with 24% in the rest of Canada. Worryingly, however, it was 38% in 2016. So, in Quebec, there has been a sharp drop in the generational renewal rate.

What worries us a lot is the planning of transfer processes—we've talked about this a few times. Many transferors have no transfer process, or too few.

Some people have talked about this before, but in Quebec there's a resource called L'ARTERRE. They run a land bank project to match transferors with the next generation of farmers. But it's an underfunded project that lacks resources. In our view, this is a problem.

On the tax front, Bill C-208, among others, has led to several advances. This bill is very close to our hearts. However, as we said earlier, we believe there's still a long way to go, for example to include the extended family, including nephews and nieces. Businesses are getting bigger and more diversified, and it's increasingly common for two brothers to each have children, so more and more nephews and nieces might want to be part of the succession.

In our opinion, it might be worthwhile to grant a tax incentive when buying your first land. We've done it for housing, but it could also be an advantage for the next generation, for people buying their first land.

In the majority of cases, transferors or producers need the value of their land to increase if they want to retire. This is a problem. So we, too, believe that a contribution to an RRSP could be very beneficial and would help reduce the financial pressure due to rising land prices.

The diversity of businesses, both in terms of production and type of business, is one of Quebec's and Canada's strengths. We are highly resilient to weather or international trade problems. This is one of our strengths, and we need to keep it.

Finally, we need to set up several assistance programs to help everyone. There can't be just one agricultural model.

• (1705)

[*English*]

**The Chair:** Moe Garahan, we'll go over to you for five minutes.

**Moe Garahan (Executive Director, Just Food):** Thank you for the invitation.

Just Food has been the regional backbone organization in the Ottawa region, working on both food and farming issues for almost 22 years now, including supporting new entrants. When I speak of "regional" today, I am referring to the sub-provincial and sub-territorial regional level.

We've identified five groups of new entrants. The main focus of this committee so far has been the intrafamily transfer, or what is most commonly referred to as "succession".

We strongly echo the requests and recommendations made by our colleagues to better support transition across families. However, today I draw your attention to the remaining four groups of new farm entrants. Each category comes with different compounded challenges.

I will provide a more detailed written submission and invite further exploration across the networks working on these issues nationally, or coast to coast to coast, including the Food Communities Network and the Common Ground Network.

First, in acknowledgement of the dual governance on these lands, we must centre indigenous entrants into food harvesting, fishing and agriculture businesses. We must note that there are remaining outstanding land and treaty issues related to land access, in addition to environmental concerns on lands and waters that are a priority to be addressed in order that these new entrants can successfully run their businesses.

Second is rural and urban young people who do not have a farm in their family.

Then we have second-careerists, often identified as being under 30 and sometimes under 40, who also do not have a farm in their family.

The fourth are new Canadians, with a majority of those interested bringing substantial agriculture experience, but they have a need for support to transition into a new climate, soil conditions, markets, food preferences and sometimes languages. Temporary foreign workers on farms who are seeking a pathway to citizenship are also included in this last category.

Given that, there are five things the federal government can immediately take action on that would make a sincere difference.

First is protecting food lands. Financial inability to purchase land is the single most pressing problem for most of the new entrant categories. Unregulated investment into farm land, both domestic and foreign, has helped drive prices well beyond what farming can support as a business. Retiring farmers without in-family successors have naturally been inclined to sell to the highest bidder.

In today's world, we run the real risk that farmers become tenants of wealthy, non-farming landowners with no opportunity to participate in equity growth and no ability to raise funds with land as a collateral for capitalizing their businesses. We request that tax and investment rules become uniform across the country.

Second, many of the financial mechanisms that are being asked to support intrafamily transfers need to be equally extended to third party transfers for genuine new farm entrants, given the high percentage of family farms today with no successor.

Third, we need legal structures to support what is being innovated and what is working for new entrants on the ground. One strong example comes from the network of community farms being established coast to coast to coast. Just Food established a 150-acre community farm within the national capital region 12 years ago as one such model of non-profit management of shared land and shared equipment to support both independent, for-profit farm business start-ups and non-profit food production for community food security.

Recent years have seen the growth of diverse models, including community farms, co-operatives, farm condominiums, grazing commons, family farmers who want to donate their farm to support new entrants through community land trusts, and community economic development investment funds. We need to expand the legal and business models on both sides of this relationship for successful transfers.

Fourth, we need federal support for regional, local markets. There has been disproportionate government investment in support of large operations and export commodities that isn't balanced yet with production for local markets coming from small and medium-sized farms, which are of majority interest to the new entrants across the four categories that I'm talking about today. For example, the CFIA's definition of "local" is an example of federal policy that has hindered rather than served to support regionally focused businesses.



Viable farm businesses are needed for viable intergenerational transfer of farmland. Overall, federal-provincial agreements need to prioritize financial support for both new entrants and the organizations that are providing the on-the-ground, regionally adapted resources, education and business tools needed for this massive intergenerational land transfer that's under way to support today's diversity of new entrants.

Thanks so much.

• (1710)

[Translation]

**The Chair:** Thank you.

Mr. Dionne, you have the floor for five minutes.

**Mr. Louis Dionne (Chief Executive Officer, L'ARTERRE - Centre de référence en agriculture et en agroalimentaire du Québec):** Good morning, Mr. Chair and members of the committee.

My name is Louis Dionne, and I'm the chief executive officer of the Centre de référence en agriculture et en agroalimentaire du Québec. Our mission is to produce, assemble and adapt knowledge and ensure its transfer, thereby promoting the evolution of practices in the agricultural and agri-food sector. Among other services, we produce transfer strategies, guides, technical leaflets, webinars, videos, events and any other product that enables us to reach agricultural and agrifood customers.

Thank you very much for giving me the opportunity to introduce you to L'ARTERRE. L'ARTERRE is a matchmaking service coordinated by the Centre de référence en agriculture et en agroalimentaire du Québec. L'ARTERRE's goal is to guide and match aspiring farmers who are not related to agricultural producers or landowners with agricultural assets for sale or lease. We also provide guidance for farm transfers in close collaboration with transfer advisers.

L'ARTERRE was launched in March 2018, after many months of work between several partners in the agricultural community. The service is currently offered in some 50 regional county municipalities in Quebec, representing around half of Quebec's agricultural territory. Territories can choose whether or not to join L'ARTERRE. Membership in the service has grown gradually. Some regions have benefited from L'ARTERRE since the very beginning, six years ago, while others have been offering this service to their population for only three or four years.

Before a match is made, candidates go through a rigorous qualification process. Matchmaking agents support candidates in their reflection and in the identification of their needs as they set up their projects. They refer them to the people and specialists involved in the farming business, such as management consultants, notaries, accountants and tax specialists. When candidates and their projects are sufficiently prepared, they can then be put in touch with another candidate. The selection process is carried out by the networking agents, who read the files, discuss them with each other and assess the chances of success of potential matches.

Since the beginning of L'ARTERRE, networking agents have supported 1,841 aspiring farmers and 1,632 owners, including 914 agricultural producers. In six years, 239 matchmaking agree-

ments have been reached within L'ARTERRE. To this figure must be added 306 aspiring farmers and 290 owners who were guided by L'ARTERRE agents, but who found a matching partner elsewhere than in L'ARTERRE's databases. In all, L'ARTERRE staff were involved in more than 800 matches. Among the 239 matches completed within L'ARTERRE, there were 132 rental projects, 44 sales projects, 41 full transfers and 12 partnerships. More than 25 production sectors are represented.

L'ARTERRE is a service appreciated and recognized as essential by all players in Quebec's agricultural community. The expertise developed by L'ARTERRE over more than six years is not found in any other territorial development organization, and contributes to the economic growth of rural communities.

Faced with the immense challenges of farm succession and farm establishment, as you have heard from my fellow witnesses, L'ARTERRE is an essential tool for linking a transferor with a potential transferee, thereby increasing the chances of keeping farm businesses in operation and stimulating the vitality of land occupation.

Despite L'ARTERRE's good results and the interest shown by local authorities in this service, L'ARTERRE faces major challenges that limit its development and the achievement of results that contribute more to the vitality of Quebec agriculture and rural regions.

Over the past year, we have laid the foundations of a new business model for L'ARTERRE to ensure its sustainability. What's missing now is the funding to support this business model. The main avenues of development we wish to pursue are: making the service accessible throughout Quebec's agricultural territory; raising awareness among potential transferors several years before the decision to retire from farming; and making the service accessible in other provinces that wish to support the establishment of farming.

In this regard, we have collaborated with and supported the efforts of Young Agrarians in British Columbia, who have also started a guidance service, the B.C. Land Matching Program, to match farm transferors with candidates.

In addition to all the proposals made by my fellow witnesses, I would add that the federal government could also devote adequate funding for all organizations within each of the provinces that want to get involved in matching unrelated candidates and transferors. This could go a long way to popularizing the tool of matching a transferor with an unrelated candidate.

I'd like to thank you for your attention, and I'd be delighted to answer any questions you may have.

• (1715)

**The Chair:** It's a pleasure for us too, Mr. Dionne.

Just before we go to questions, I must inform Mr. Caron and Mr. Beauvais that, during their interventions, the sound was not perfect.

When answering questions, please do so slowly. That should help the interpreters.

[English]

We're going to try it out. We'll go forward from there.

Thank you so much, colleagues. We have an hour here, and I plan to go to 6:15 or maybe a bit less. It will be around 50 minutes if everything goes according to plan. I'm going to start with the Conservatives.

Mr. Barlow, you have up to six minutes.

**Mr. John Barlow (Foothills, CPC):** Thank you, Chair.

Before I start, I would like to welcome our colleague, Mr. Lehoux.

[Translation]

Our thoughts are with you and your family.

[English]

We're thinking of you. We certainly missed you and hope that everything is well at home.

Mr. Chaffe, thank you very much for coming. It's good to see you again. I found it interesting that your son is also here lobbying on the Hill today—with the Cattle Feeder's Association, I think you said.

We heard from a young farm family who were here last week about the impact that the capital gains inclusion rate change has on their plans to pass on the family operation to the next generation. Certainly every farmer I've spoken to this summer since this was announced in the budget has said that this has an impact on them. This has thrown a wrench in their planning. It's a stressor, and it has an impact on their mental health.

Can you talk about the experience that you're having with your son and the impact that the capital gains inclusion rate change may have on your plans?

**Mr. Jack Chaffe:** Thanks for the question and, by coincidence, my accountant is here. My son Evan is here. I have two boys at home full time, as well as me and my brother. We've formed a corporation to help transfer ownership down the road. It's something that you work on each year, but when, all of a sudden, you get these new tax rules thrown upon you, you spend a lot of time and a lot of money with accountants and lawyers, making sure that you have things right, because, in running a farm, you have all that investment, and your retirement is also in there as well. Anything you make, you invest back in the farm.

I'll give you one example within my family. When my grandpa got out of farming, he used the intergenerational transfer to transfer land to my father and me. His brother, my great-uncle, transferred land to my father, so he missed out on that intergenerational tax exemption. My grandpa had a great retirement. He was able to move to town, build a new house and enjoy retirement. My great-uncle moved to town, lived in an old house and basically retired eating soda biscuits and living on tea leaves. It was a disgrace, and it's quite coincidental. A lot of the testimony here today said that we need to broaden that scope because there are a lot of farm businesses that have uncles working with nephews and so on, and my feeling is that needs to be adopted.

**Mr. John Barlow:** Mr. Melvin, thank you for being here from Nova Scotia. You have the incredible benefit of having the chair of the ag committee as your member of Parliament.

We had the Minister of Agriculture here, and my colleague Mr. Steinley asked him if he knew anything about the capital gains inclusion rate change being in the budget. He said that he had no idea that it was there.

I find it troublesome that the Minister of Agriculture did not know a pillar of the budget and that its impact on agriculture wasn't included in the budget. Have you had consultations with your current member of Parliament on the impact the capital gains inclusion rate will have on Nova Scotia producers?

**Mr. Allan Melvin:** I haven't directly in the recent months. We've been in the middle of the farming season, and time flies at this time of year. That being said, I think that, while that's one challenge we're facing—additional hurdles within the tax code are always burdensome for anyone—we're facing many challenges from many different perspectives with succession in Nova Scotia, so this is an added challenge.

To answer your question, no, I haven't had a conversation with him directly.

• (1720)

**Mr. John Barlow:** You talked, Mr. Melvin, about the impact and how hard it is to find a successor to take over that family farm, and the increased tax burden is one reason. The carbon tax is going to be increased again on April 1, and this capital gains inclusion rate change is another potential 30% tax hike on a farm family. Those two tax hikes alone, I would think, are making it that much more difficult to find that younger generation that sees agriculture as a viable career.

**Mr. Allan Melvin:** Certainly, I would say that you're right. Every cost is an additional burden in a system and a model where we're very capital intensive and very low margin. That being said, in Nova Scotia, legal and regulatory hurdles are a challenge that our members identify, but we also have those financial challenges outside—the business risk management challenges and the climatic events that are almost burying some of us, quite honestly. It's another hurdle, but there's a bigger picture here that I think we have to tackle.

**Mr. John Barlow:** Thanks.

I want to switch to Ms. Foster.

It's great that you're here. I was actually visiting with one of your members yesterday, the Doelman family, outside of Renfrew, Ontario. They are going through a similar transition. Her grandmother was trying to make a decision on whether to sell the family farm, but because of the capital gains inclusion rate, they can't make a decision. They don't know what it is.

You talked about the bare trust, the underused housing tax, and all of these things that the government had to back off from because they were brought in at the last minute and no one knew what to do with them. Now you have a capital gains inclusion rate change for which the legislation hasn't even been tabled six months after the deadline.

What impact is this having on OFA members and your clients?

**The Chair:** Unfortunately, we're at time, Mr. Barlow. You didn't manage it quite well. We're right up against six, but I know you'll have another chance.

Ms. Foster, if you want to give a 30-second response, I'll give that to you, out of respect.

**Ms. Coralee Foster:** As I alluded to in the points I made, the challenge is often not so much the rules themselves but rather the ability to deal with them. It's no fun for the accountants either; I can tell you that. It's certainly frustrating for our clients, though.

When there are changes to be made, we devote a lot of time, as accountants, to understanding the changes, and then it is frustrating to find that you've had to backpedal on them.

**The Chair:** Mr. Drouin, it's over to you for up to six minutes.

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** Thanks, Mr. Chair.

I'm going to advise you that I will be sharing my time with you, Mr. Chair, in case you didn't know.

My first question would be for Ms. Foster.

I believe it was you who said that Growing Forward 2 had some dollars for succession in its programs. Despite that, though, we're still facing.... Depending on which statistics you're looking at, we're still seeing that only 8% to 12% of farmers and small businesses have a succession plan.

What do you think the issue is in terms of, let's say, the grand majority of small businesses and farmers not adopting a succession plan? How do we raise the profile and ensure that people sign on? How do we raise the importance of having a succession plan?

**Ms. Coralee Foster:** I think that a lot do have one, but they've not formalized it. It's in their heads. There are intentions of what it's going to be. Formalizing it is often something small business owners don't care to do. They don't like paperwork. They'd rather be running their businesses or their farms. I think that's the first problem.

I did find the Growing Forward.... As I said, I think it did encourage people to do things sooner and to put some thought into it sooner. Something like that, again, would be helpful. It provided some dollars, and it certainly was beneficial.

**Mr. Francis Drouin:** Okay, but that didn't necessarily move the needle. Twenty years ago, we were still at only 10% of farmers and small businesses having a succession plan, right? These are CFIB's own numbers. I'm quoting their numbers.

There has to be something more that we can do for greater adoption of succession planning. That measure alone may have motivated more people, but it's still not enough to have a significant im-

pact. When policy-makers are looking at this, they're saying that this particular program didn't necessarily have a major impact, that it didn't move the needle far enough.

There has to be something else we can do. If you have any recommendations on that, I'd love to hear them.

**Ms. Coralee Foster:** I can't think of anything specific, but I think it comes back to the fact that there just aren't.... There's a lot of succession planning to be done and not necessarily enough qualified people to do it, given the complexities and the changing environment as well. Simplifying things would be helpful, and I do think that having funding available is helpful.

• (1725)

**Mr. Francis Drouin:** Okay. Thank you.

[*Translation*]

My next question is for Mr. Dionne.

Mr. Dionne, I find the concept of L'ARTERRE very compelling.

I'll call you an intermediary. I've already visited your website, and I find it very interesting.

You say that the lack of funding means that you can't advance further into other territories.

Is that the main difficulty right now?

**Mr. Louis Dionne:** Actually, funding is established according to the sector agreements for each territory. It therefore differs from one region to another, making it very difficult to guarantee similar quality or harmonization of service in all regions. That's why we overhauled our business model; we wanted to move towards provincial funding, so that we could say that we would cover at least 80% of people's salaries in the regions, and be able to guarantee service everywhere. We don't want there to be service-free zones in Quebec, whatever the municipality. We have to be able to guarantee the quality and harmonization of services. We also need better promotion. If we approach retiring farmers six months before they decide to leave farming, it's too late to find a buyer. We want to contact them long before they decide to leave farming.

Currently, what's missing is provincial funding. In other words, regional funding should become provincial funding. That would allow us to provide service at a provincial level.

**Mr. Francis Drouin:** All right, thank you very much.

**Mr. Louis Dionne:** I should point out that the service is managed locally by economic partners and they are coordinated by the Centre de référence en agriculture et agroalimentaire du Québec, or CRAAQ.

**Mr. Francis Drouin:** All right, thank you very much.

[*English*]

Kody, it's over to you.

**The Chair:** Allan, I want to start with you.

It's great to see you. Thank you for the work that you and Carolyn and the entire board of the Nova Scotia Federation of Agriculture do for advocacy in our province.

You talked about land banks, which we heard about from other witnesses, and I think that's important.

I want to talk about a financial tool. When I have conversations, whether with you or with other farmers at home or across the country, it seems that the math around the capital assets, whether it be land—which you rightly highlighted—or just equipment, machinery and buildings, is far outpacing the operational income to support the debt that you have to take on to properly pay out the farmer who's retiring.

Do you think there are some existing tools the government at the federal level could enhance, whether they be the Canadian Agricultural Loans Act or other types of elements, so we could try to have lower cost financing to help smooth out that transition?

Is that a legitimate goal that we should be working toward as parliamentarians?

**Mr. Allan Melvin:** I think anything that reduces costs for the new entrant, like, in this case, minimizing or reducing interest costs, as you noted, would be a benefit. There are some programs from various lenders—provincial lenders, and federal lenders like FCC, for example—that do encourage that through reduced rates.

When we look at the whole basket of challenges as new entrants trying to get into the industry, interest costs are a significant burden. We have a significant borrowing cost up front when we take on a new farm. There are all of those other financial challenges as well, so we have to look at that whole basket at the end of the day.

**The Chair:** Okay. Thanks so much.

I have just another 30 seconds here.

Mr. Barlow talked about on-farm costs and carbon pricing. I do hope that his party will allow Bill C-234 to actually come to a vote. I know we've talked about that before, Allan.

**A voice:** Hear, hear!

**The Chair:** I hear some “Hear, hear!” in the room.

It's unfortunate that it has taken this long and we're still not actually at a vote. We've talked about this and what it means to farmers. The Conservatives like to signal it in the House, but we have to actually be able to get there.

Hopefully, Mr. Barlow, with your help we can let the member for Huron—Bruce come forward, and we can all rejoice.

I'm going to go to Monsieur Perron.

It's over to you for six minutes, please.

[*Translation*]

**Mr. Yves Perron (Berthier—Maskinongé, BQ):** Thank you, Mr. Chair.

I'd like to thank the witnesses very much for being with us today.

You'll understand that unfortunately we won't have time to put questions to each of the witnesses. I apologize in advance. This is part of the inconvenience of our work.

I would therefore like to invite each and every one of the witnesses to send the committee their concrete proposals in writing on subjects we may have dealt with superficially or too quickly. In this way, all committee members can apprise themselves of them, and we can make intelligent recommendations to the government. That's the purpose of this exercise. I thank them in advance.

Mr. Caron, I'll start with you.

It's always a pleasure to see you, even if you're on screen.

You were quick to make several recommendations regarding succession and land values.

Could you briefly explain your main requests for the next generation to have access to land?

• (1730)

**Mr. Martin Caron:** Thank you for your question.

I may let Mr. St-Roch or Mr. Tougas add comments on this subject.

The fact that agriculture is one of the sectors that takes the most capitalization to make a dollar of farm revenue is one of the important aspects. We're at the point where it takes an investment of eight dollars to generate a dollar of farm revenue. Farmland has a direct impact on this aspect.

That's why we've talked about a few things today, whether it's land trusts or farm trusts, among other things, that help lighten that burden.

I'll turn the floor over to Mr. St-Roch or Mr. Tougas, who can continue in this vein.

**Mr. Marc St-Roch (Accounting and Taxation Coordinator, Research and Agricultural Policy Directorate, Union des producteurs agricoles):** Good evening, everyone.

I'd like to bring up the possibility of extending the transfer of tax rules favouring family transfers to nephews and nieces, in the case of group farm businesses. Other witnesses have talked about this. Businesses are getting bigger and bigger, and in many families, brothers and sisters jointly operate the business—

**Mr. Yves Perron:** I apologize for interrupting you, Mr. St-Roch. What you're telling us is extremely important, but time is limited.

It seems to me that we've been talking for a long time about the issue related to nephews and nieces. Everyone understands how important it is. Weren't you working on this and making contacts? Didn't the government promise to settle this issue?

How come it hasn't been done yet?

**Mr. Marc St-Roch:** I can't tell you.

Of course, we've been making these requests for several years. The other speakers made the same point. At present, tax rules force a farmer who wants to transfer part of his business to his nephew or niece to declare capital gains that are taxable at the time of the transaction, even if he does so for no consideration, i.e., if he gives his business to the nephew or niece so that he or she can continue to run it without incurring a tax burden, which can be done between a parent and child. This is an additional burden that limits transfers. Very often, one of the parents or brothers doesn't have a successor and wants to pass the torch to his nieces and nephews, and these people run up against this tax obstacle. These are costs that you wouldn't normally have to pay in the case of a transfer between a parent and child.

We think this should be corrected, because farms are increasingly owned by groups.

**Mr. Yves Perron:** Thank you, Mr. St-Roch.

I'd like to hear from the people from the Fédération de la relève agricole, Mr. Beauvais and Ms. Simard Brochu, on this subject.

**Mr. David Beauvais:** Thank you for your question.

As we mentioned earlier, yes, many of our members with slightly larger farms have nephews or nieces who need that tax exemption. While Bill C-208 has made some good improvements, there's still some work to be done. From a tax standpoint, it's certainly part of the government's powers to financially help young people gain access to this land.

**Mr. Yves Perron:** Mr. Dionne, you'll have about 30 seconds to answer.

You said that you lacked funding, but, if I understand correctly, it's essentially Quebec that funds you, and there is some funding from the regions as well. You think that the federal government could provide an envelope to support the implementation of a structure like yours just about everywhere. Is that right?

• (1735)

**Mr. Louis Dionne:** The funding we receive to offer this service comes from sectoral agreements with various Quebec ministries: the Ministry of Municipal Affairs and Housing, the Ministry of Economy, Innovation and Energy, and the Ministry of Agriculture, Fisheries and Food, MAPAQ. When it comes to coordinating the service, the lion's share of funding consists of a payment that comes to us from our economic partners in the regions, and a small portion comes from MAPAQ.

We would therefore like to supplement the provincial funding to be able to offer this service everywhere. We'd also like other provinces to have access to a similar service. In fact, several of them have expressed an interest. Young Agrarians wants to work with us and reach out to other provinces to see which ones would like to have access to such a service.

[English]

**The Chair:** Let's go over to Mr. MacGregor for six minutes, please.

**Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP):** Thank you, Mr. Chair, and I'll echo my colleagues in saying thank you to all the witnesses for helping guide us through.

In the part of the country where I live, on Vancouver Island, we're being faced by significant land price issues. Where I live, in the Cowichan Valley, I am very close to the agricultural land reserve, and you can certainly see the land values increasing significantly year after year.

Mr. Melvin, maybe I'll start with you, on the other side of the country. I think I heard you say in your opening statement that only 8% of farmers have a succession plan, but that 62% of Nova Scotia farms are set to be transferred in the next decade. There's obviously quite a discrepancy between those numbers.

Could you just reiterate, when most farms are set to be transferred in the next decade, why is it that so many farmers are not putting this planning into place? Is it because they are so overwhelmed with the amount of work they're having to do, or there is no heir apparent? We just want to have some additional information so we can provide some good guidance to the government on this.

**Mr. Allan Melvin:** We conducted a survey, as I noted, last winter, 2024, in Nova Scotia, and I think it's fairly reflective of the situation federally. We have about 8% with a detailed succession plan. That doesn't mean that the other 92% don't have something on the back of a napkin or haven't kicked it around their minds, but that's what's been formalized and where there's a good plan in place.

As part of that survey, we had results trying to identify barriers and what those might be, and the biggest barrier is the financial challenges. Again, it's going back to the risk profile of agriculture. It is outstripping the returns that we can get on the fairly low-margin, high-volume systems that we're on now.

Another hot button was finding a successor. If you don't have a child or a niece or nephew who's worked in the business and is interested, it's challenging to find somebody as a new entrant to come in and take over that farm.

Lastly, legal and regulatory hurdles were the other top item identified. The constant evolution of accounting, taxation rules and legal changes was seen as the other challenge in getting that succession plan in place.

**Mr. Alistair MacGregor:** We know around this table for sure that farmers are often land-rich and cash-poor. They really do put all of the money that they make back into their operations. We see that from coast to coast to coast. I know personally I've certainly seen investment firms of various makes and models offering investment opportunities in farmland. That is something I've seen grow over the last number of years.

I think agriculture operates in a very unique space. I hear from all the witnesses around the table, saying that when it comes to these capital gains rules changes, farming needs to be treated in a special category. What about the investment firms that are using agricultural land as an investment vehicle? Do you have a position on how we should differentiate between succession planning among immediate and extended family, and also these investment firms that are investing in farmland for a return?

**Mr. Allan Melvin:** I would say you have to look at it from the family farm perspective or the small business perspective. Within the tax code, there's small business and there are large corps. I expect that oftentimes those investment vehicles or investment firms would be considered large corps and treated differently, even within regular taxation. I would suggest that it would have to focus in on the family businesses, the ones that are ingrained in the rural fabric of Canada and drive the economic success and resiliency that we have.

• (1740)

**Mr. Alistair MacGregor:** Thank you.

Moe Garahan, maybe I'll turn to you, because I've been interested in how, in my own backyard, new entrants into agriculture manage with the astronomically high prices of land. I know there are some unique relationships being set up in B.C., where the Young Agrarians are trying to set up those relationships between farmers who have the lands but may not have the wherewithal to continue farming with the same intensity that they once did.... We have productive farmland not being used, so they want to allow someone who has the will to get in there and start farming it. I know some of the financial arrangements that have been put into place may allow for farmers to lease their lands to these new entrants.

Do we have to be careful when we're looking at these new financial relationships in the context of these capital gains changes? Is there anything you want to guide our committee through on that?

**Moe Garahan:** As mentioned, I think that Young Agrarians is a good example. There are examples right across, from coast to coast, some of which have been presented here. There are many on-the-ground models, both business and structures, that allow for independent farm businesses to either work on owned land.... I would like to see that if there's a transition in place, because then you become a tenant farmer in the long term. I think there can be some benefits.

We've seen really great examples of existing farmers allowing young farmers to get started, which allows them to build up a market, build up their skills and build up their ability to then finance their own operation elsewhere. I think they're seeing successes on that. I think we have to be a bit careful and we need to look for equity models that allow new entrants.

**Mr. Alistair MacGregor:** They were built up there.

**The Chair:** Unfortunately, we're out of time.

[Translation]

Mr. Gourde, you have the floor for five minutes.

**Mr. Jacques Gourde (Lévis—Lotbinière, CPC):** Thank you, Mr. Chair.

My first question is for Mr. Beauvais, from the Fédération de la relève agricole du Québec, and it concerns the next generation of farmers in Canada.

You have our utmost admiration. You're facing major challenges in your sector. You currently represent less than 1% of the Canadian population while probably contributing 7% to Canada's GDP. No other sector that employs so few people contributes as much to the

Canadian economy as yours does. You can be proud of that, and know that we support you.

It is crucial to expand Bill C-208 to include the transfer of farms to nieces and nephews.

I, too, am a farmer. I have grandchildren, and I am transferring my farm to my son. It's a sheep farm, like yours. My grandchildren, my daughters' children, also come to the farm, and perhaps one of them will one day want to be part of the family farm. For that reason, the bill must be expanded.

Now I want to talk about patient capital. Currently, patient capital is still held by former owners of farmland when farms are transferred. They have to use interest-free term notes, and it's extremely complicated. Currently, Canadian society does not contribute to patient capital for agriculture. Very few people support it. What's your take on that?

Rather than investing billions of dollars in the industrial sector, Canadian society, through governments, could help increase patient capital to help the next generation of farmers. Would that be possible?

**Mr. David Beauvais:** Thank you for your question.

You're talking about issues related to the agricultural sector. Agriculture is an economic pillar, but it's much more than that. It's about land use. It's also cultural. The issues are much more complex than just the economic side.

As a matter of fact, the Fédération de la relève agricole du Québec has been calling for enhanced patient capital for years. Investing in crops is not risky. Agricultural entrepreneurs aren't going to up and move their land to another country. It's not going anywhere. We're asking that financial institutions and governments make a significant contribution to patient capital by granting long-term loans at low fixed rates, which would make it possible to reinvest in our community.

**Mr. Jacques Gourde:** Thank you, Mr. Beauvais.

Mr. Caron, you talked about agricultural trusts and other trusts. How are they funded to bring patient capital to the next generation of farmers, who will really need it in the years to come?

Every year, we unfortunately lose many young farmers. People my age leave farming at 60, and sadly, too many young farmers leave after five or 10 years because of a lack of funding, a lack of patient capital.

• (1745)

**Mr. Martin Caron:** Thank you for your question.

As you just said, some sort of patient capital system could be set up to help agricultural trusts. That's really the direction we need to take.

I would say that, overall, the discussion we're having today comes down to Canadians' pantries. That's the bottom line. Only 6.2% of Canada's territory is currently being cultivated for agriculture.

As you mentioned, Mr. Gourde, we need to invest in patient capital to give young people who want to become farmers access to these lands.

Earlier, I mentioned that 22% of farmers had a succession plan, but 78% of farmers don't. Therefore, measures have to be taken fairly quickly.

**Mr. Jacques Gourde:** Thank you, Mr. Caron.

The Union des producteurs agricoles is based on the solidarity of the agricultural community. Should that solidarity be extended to all Quebecers?

We should send the message to everyone that they need to invest in patient capital for agriculture in order to help the next generation of farmers and ensure the future of our agricultural sector.

**Mr. Martin Caron:** Absolutely.

It is essential to invest in patient capital, in both Quebec and the other provinces. I think that Canada's future, food security and food self-sufficiency are currently at stake.

**Mr. Jacques Gourde:** Do you think that all Quebecers or all Canadians should invest their RRSPs in agriculture and take pride in the idea of ensuring the sustainability of Quebec and Canadian agriculture?

**Mr. Martin Caron:** I think that's an important vision for all of Canadian society, and we've gotten to that point. Our society realizes that farmers don't just feed people—we aren't just feeding our fellow Canadians. We are also fighting climate change and supporting biodiversity, among other things. A farm is an entire ecosystem. We are actually able to propose solutions to Canadians.

**Mr. Jacques Gourde:** Thank you, Mr. Caron.

**The Chair:** Thank you.

[English]

We'll now turn it over to Mr. Louis for up to five minutes.

**Mr. Tim Louis (Kitchener—Conestoga, Lib.):** Thank you, Mr. Chair.

I want to let all of our witnesses know that we appreciate their being here today for the study on the intergenerational transfer of farms. However, I want to start with the statement that farmland itself is a finite resource that is essential for food production, for sustainability and for our rural economies.

I'll focus on Ontario. Right now, only 5% of Ontario's land mass is suitable for agriculture, so we need to protect farmland. We need to better use other land for development, both for housing and for economic development.

Being from Wellington, Ms. Foster, I'll start by mentioning a local farmland issue in Waterloo Region, where I'm from. We've heard from many constituents who are concerned right now about expropriation of farmland for industrial use in the Township of Wilmot, in my riding of Kitchener—Conestoga, and I share their concerns.

I believe we can use lower-quality lands, not prime farmland, that have the necessary infrastructure, which would have much fewer negative social and environmental impacts, and I agree with

the Ontario Federation of Agriculture's statement that it strongly supports rural economic development where that does not undermine our precious and finite agricultural resources.

Ms. Foster, what strategies would you recommend that could optimize the use of the limited agricultural land we have for both farming and also necessary development? What can we do to make sure we're striking that balance? Are there any policies or strategies you can suggest?

**Ms. Coralee Foster:** I don't feel that's something I'm comfortable, in my capacity, speaking to.

**Mr. Tim Louis:** Okay. I could ask the same question, then, of Mr. Melvin from the Nova Scotia Federation of Agriculture.

**Mr. Allan Melvin:** Yes, I think, from a land preservation perspective, we need to look at putting that control into the hands of the industry. Too often we rely on municipal jurisdiction and things like that, which can change with a pretty broad brush. Having a multi-tooled approach and the ability to put land banks and easements in place and things like that is, I think, going to help with the long-term security of agricultural land and, ultimately, our food security.

**Mr. Tim Louis:** I appreciate your mentioning land banks, and you did in your opening statement. I think you touched on something, which is that we have multiple levels of government—municipal governments, possibly regional governments, provincial governments and then the federal government—but they all need to work together. Can you expand on land banks, specifically in Nova Scotia, and on how they can protect against development and ensure that prime agricultural land remains available for agriculture use, and maybe expand even on how land banks can also support new farmers or younger farmers who are looking to enter the agriculture sector?

• (1750)

**Mr. Allan Melvin:** Sure.

I think a few others on the call might be able to answer the question around the preservation piece, but I think, from a new entrant perspective, the land bank certainly is a good financial tool to take that capital burden and shift it off the balance sheet, the liability side and the borrowing costs of a new entrant. There are different models, but it gives them, ultimately, a point in the future when they could potentially purchase and pick up that land equity at a realistic operating value.

From a land protection perspective, there are other tools that can be layered on top. You can layer easements into that land bank to incentivize and things like that.

However, I think there are some folks from Quebec who can probably answer how their model is working at this time.

**Mr. Tim Louis:** Yes. If anyone wants to weigh in on that, I would appreciate it. If not....

Ms. Foster, we heard about the low percentage of farmers who have a written succession plan in place. Is there outreach that we can do? Can you provide an overview of some of the federal programs that can support that, maybe through Farm Credit Canada? How can we reach out to more farmers to help incentivize them to do that planning?

**Ms. Coralee Foster:** I don't think it's a lack of awareness. I know that when we talk to our clients about what they want to know more about, succession planning is always the top of the list. I think there's certainly an understanding that it needs to be done. As I said before, I think that a lot of the time it is presumed or there are intentions; it's just not formalized.

Certainly, FCC may be one avenue. I mean, it has its hands on a lot of producers, so it does a lot of education. Certainly, if there's scope for it to continue to do that, I think that's great.

Again, I think it's just about the general security of knowing that, if they are putting a plan together, they're going to be able to act on it. A plan is not going to come to fruition in a few months or years, really. It's a long-term proposition. A lot of people in agriculture, my family included.... My kids are the seventh generation to farm, so sometimes it's just presumed that that's what's going to happen. Often it does, but it's not necessarily in the most efficient manner.

**Mr. Tim Louis:** Thank you very much.

[Translation]

**The Chair:** Mr. Perron, you have the floor for two and a half minutes.

**Mr. Yves Perron:** Thank you, Mr. Chair.

Mr. Beauvais, in your opening statement, you talked about tax incentives for the purchase of a first farm and the fact that sellers need money for retirement. Mr. Gourde talked about patient capital. What do you think about the idea of developing a system where farmers would agree to give up their land to new farmers, not at its speculative value, but at its agricultural value? That way, the farm could eventually be profitable.

The problem is that a person can't make money in their lifetime on farmland bought today because it's too expensive. The seller would have to agree to sell it for less and, in return, be entitled to some kind of pension that would be set up for that purpose, whether it's through the Quebec Pension Plan or the Canada Pension Plan. The pension would compensate that person for taking the land out of the vicious cycle of land speculation and allowing a new farmer to take over. Afterwards, the land would always be resold only at its agricultural value.

What do you think of that idea? I'll let you talk about that. You have about a minute and a half.

**Mr. David Beauvais:** Yes, that's what we want. We want to bring the value of farmland back to its agricultural value so that a farm can become profitable, because the land is currently being used for speculation. It's not a good model. Farmland is a tool box.

It's what we use for our production. It should not be used for anything else.

**The Chair:** I'm sorry, Mr. Beauvais. There's an interpretation problem for our anglophone colleagues.

• (1755)

[English]

We're going to try again, but I think we're running into a bit of a technical issue.

[Translation]

Mr. Beauvais, I'm going to ask you to speak slowly and—

[English]

I'm sorry, Mr. Beauvais.

If you want to finish that response, you can certainly submit it in writing. We're being told by our translation team that we have to make sure we can operate. I apologize. I don't know whether it's a technical piece, or if it's your Internet connection.

[Translation]

Mr. Perron, you have 45 seconds left.

**Mr. Yves Perron:** Mr. Beauvais, thank you for sending us your answer in writing. I invite all the witnesses to do the same.

Mr. Caron, I'd like to hear your opinion on restoring the value of land to its agricultural value.

**Mr. Martin Caron:** It's essential, as Mr. Beauvais was explaining. The price of farmland must correspond to its agricultural value.

In Canada, there are various federal programs for farmers, such as AgriStability or AgriInvest. There's also the AgriRecovery framework.

Now, I think we need new federal programs modelled on Agri-épargne and Agri-relève. It's very urgent. Something has to be done quickly, because the next generation of farmers is our future. There are also economic repercussions. Solutions have to be found very quickly.

**The Chair:** Thank you.

[English]

Alistair, go ahead for two and a half minutes.

**Mr. Alistair MacGregor:** Thank you, Mr. Chair.

Ms. Garahan, I'd like to continue with you, because I appreciate that you were focusing your remarks on new entrants—those outside of succession planning.



I know from personal experience that it takes a significant commitment to jump into farming if your family has no prior experience in it. We certainly need those new entrants because, in some cases, succession planning isn't going to work out. Farmers' children may have other interests. We still need that productive farmland to continue operation, potentially in new hands. We've heard repeatedly from witnesses, not just today but also at other times, that when new entrants come into farming, they look at a lot of the risks associated with that. It's not just a question of the commodity or market prices that exist. There are also input costs and, of course, increasingly, variable climate concerns.

When you are speaking to new entrants, what are you hearing from them regarding their concerns about the wild variability that can exist in farming? What do they wish to see? For example, what immediately come to mind are business risk management programs. Do you have any thoughts on what they're saying to you on how those can be improved?

**Moe Garahan:** Yes. I'd say the big one, as I mentioned, is that a lot of new entrants are interested in local markets and diversified commodities, and that type of farming on small and medium-sized farms is not effectively covered in the AgriRisk programs.

There really needs to be a balanced approach to supporting small and medium-sized diversified farms. That is what many new entrants are wanting to head into, and we just don't have the same types of protections that other commodities do. It's a really serious issue that needs to be addressed.

**Mr. Alistair MacGregor:** The current crop of business risk management programs are, in your view and their view, tailored to a very specific type of farming, and it needs to be just a little more accessible for those people who have smaller operations that are more diversified.

**Moe Garahan:** Yes, they're both smaller and more diversified.

**Mr. Alistair MacGregor:** Okay. That's great. I'll leave it at that, Mr. Chair.

Thank you.

[*Translation*]

**The Chair:** Thank you.

Mr. Gourde, you have the floor for five minutes.

**Mr. Jacques Gourde:** Thank you, Mr. Chair.

Mr. Caron, we hear about seasonal or temporary agricultural farm workers. Citizenship and Immigration Canada has a backlog of permits to process.

Is this really a major problem in Quebec right now?

Mr. Caron, are you still there?

**Mr. Martin Caron:** Yes, I'm here.

We talked about immigration. You have to understand that, in Quebec alone, a third of temporary foreign workers make up the workforce of agricultural businesses. It's always a challenge.

**The Chair:** I'm sorry, Mr. Caron. It's the same problem we had with Mr. Beauvais. I invite you to submit your answer in writing to the committee.

I'm sorry, Mr. Gourde. You have four minutes and 30 seconds.

• (1800)

**Mr. Jacques Gourde:** My next question is for the other witnesses. Just let us know if you'd like to answer.

I'm interested in the dismantling of farms. Young farmers take over about 50% of farms. In many cases, farms are dismantled and resold, allowing other farms to get bigger. Do you see that as a concern?

The number of farmers is still going down. We need more and more temporary foreign workers to work on farms because Canadians don't seem to want to do it.

How much can Canadian interest in agriculture be maintained if one day there are practically no more people who want to work on farms?

[*English*]

**Mr. Jack Chaffe:** I'll take a stab at it to start with.

We need better BRM products. AgriStability is broken. I know you spoke to the fact that it doesn't work for smaller farms. It doesn't work for diverse farms, where you may be involved in beef and cash crop and one offsets the other. We definitely need help there.

On the other side, I know it went around about new entries' interest rates and trying to get investment in the farming operation. For new entries, they go to borrow money and they're paying a higher rate than a well-established farm. That's a deterrent there, and when you're up against low margins, it's almost impossible.

I will turn it over to my colleagues for a response.

**Ms. Coralee Foster:** I would say very much the same as Jack has said. For new entrants, if you look at the cost of farmland or any capital that's involved in it relative to the return on investment, it's very low. That certainly is a challenge in looking at that business model.

I know that the OFA has done some studies on the cost of farmland relative to the return on investment. In 2023, I believe it was, if you bought a piece of land in Ontario, 47% of the revenue would need to go towards servicing debt. That's before any of your costs, so certainly that becomes cost-prohibitive for new entrants and for those coming into it in a family situation as well.

**Moe Garahan:** I just want to say there are a lot of new entrants. They just can't access the current system. I think this is the challenge.

You have a number of family farms that don't have succession. You have a number of diverse farm entrants who want to farm. They want to commercially farm. We have hundreds in Ottawa alone who want to farm. They need access to small-scale land so that they can start their part-time business and grow it into a full-time business, especially near urban populations. They need to have access. People not wanting to farm is not the issue.

We're at a tipping point right now. As Mr. Perron and Mr. Louis said, we have to take agricultural land out of being a commodity, a speculative commodity. It has to become commensurate with what can be earned from that farmland, and you will find that there are farmers here on these lands who want to take this up.

[*Translation*]

**Mr. Jacques Gourde:** My question is again for anyone who can and wants to jump in.

Is there a lot of frustration towards a government that invests billions of dollars in patient capital for industrial sectors? Do you feel that's unfair? Apparently, some of that money will be wasted. There is almost nothing for the agricultural sector. Pardon the expression, but we're talking about peanuts for the next generation of farmers. Young farmers pay themselves a salary of \$200 to \$300 a week to eat, because they can't afford more.

In the long term, will this undermine the sustainability of agriculture?

[*English*]

**Mr. Jack Chaffe:** It will, definitely, in the long term. As I mentioned before, in my submission, food security has to be number one. The ability to produce food, whether it's on a large-scale family farm operation or on a smaller scale, is essential. In Canada, with our global markets, we need to recognize that.

**Moe Garahan:** I believe there's a lot of room for small and medium-sized diversified farms to make significant income on small parcels of land. I think that just hasn't been proportionately invested in, and it is what consumers are wanting to connect with as well. I think we need to value the broad type of farming and to look at what is viable today.

• (1805)

**The Chair:** Thank you very much.

I'm going to turn it over to Ms. Murray and Ms. Taylor Roy, who I think are going to split around five to six minutes.

**Hon. Joyce Murray (Vancouver Quadra, Lib.):** Thank you very much for being here, for your testimony and for your deep understanding of the challenges of family farms. Thank you for your proposals.

When I'm listening to you, I'm thinking about the other businesses that might be rural, capital-intensive, equipment-intensive, seasonal perhaps, and subject to weather, climate change, floods and fires. Those would be things like ecotourism, forestry operations and fisheries. There would be the similar type of family ownership in some of those businesses, and succession issues.

Would you be advocating that any solutions you're bringing forward for the family farm transition and succession should be ap-

plied also to other businesses that have some elements in common with the farming challenges?

**Ms. Coralee Foster:** I can take a run at it.

The one difference in agriculture is that all of those things are capital-intensive. I think that comes back to the fact that the margins are sometimes lower in agriculture than in some of those others. However, as you said, a lot of the same theories could apply. I don't think it's wrong to consider it, if it's in the interest of preserving family businesses.

One thing I would add, though, is that a lot of farms have diversified, too. We have farms with an on-farm grain elevator or with agri-tourism or some other piece. That's always a challenge, because sometimes those actions on a farm can put them offside of the farm taxation rules as well. That's something to be considered.

**Hon. Joyce Murray:** Mr. Chaffe or Mr. Dionne.

**Mr. Jack Chaffe:** The only thing I would add is that normally on a farming operation, any profit you make, if there is profit there, is all invested back within the farm, whereas a lot of small businesses would be taking a wage out of that, and, as well, building a retirement fund. It's not all of them, but, as Coralee said, the margins are so tight within farming that a lot of times there just isn't that capital to put away for investment for retirement. The investment is the farm. When they have to give up a huge portion of that on their sale to the government, a lot of farmers could be left in poverty after building their empires throughout their lives.

[*Translation*]

**Hon. Joyce Murray:** Okay.

Mr. Dionne, do you want to speak?

**Mr. Louis Dionne:** Yes.

I'll answer very quickly. It's definitely a big challenge. That's why we really need to be able to find innovative agricultural ownership models. That's also why we have to be able to offer other types of arrangements, whether through co-operatives, rentals or any other existing model.

I think it's important to be able to think outside the box to offer different models from what we've seen in the past.

[*English*]

**Hon. Joyce Murray:** Thank you.

I will pass it over to my colleague.

**Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.):** Thank you to all our witnesses for being here.

It's a really interesting and important issue, how we pass farms on and how we keep farming going in Canada.

Mr. Dionne and Moe Garahan, you talked about different models. Looking at the average age of farmers and the need for succession planning, I'm wondering about the concept of the family-owned farm and having special treatment for family-owned farms versus other farms. I look at some family-owned farms that are huge corporations and are very profitable. In fact, I think the largest 10% of farms in Canada make up two-thirds of the revenue.

Do you find using the term "family-owned farm" is still useful in facilitating the broadest range of people who can possibly keep these farms and ensure that these businesses keep operating?

**Moe Garahan:** I thank you for that question and emphasize that supporting family farms is critical, and we support our colleagues around this table. However, this committee's almost singular focus over time on family farm transitions has left a humongous number of new farmers out of the picture. I think it has to be a diversified conversation here in order for you to meet your targets and support the diversity of new farmers.

I think the definition of family has to change. There have to be the same mechanisms. I know that's tough, but you can determine a bona fide farmer and have severe penalties if the land is not farmed. That prohibitively prevents speculation purchasing, but we need to have the same mechanisms for out-of-family transfers. That is where we are right now.

• (1810)

**Ms. Leah Taylor Roy:** Okay.

Mr. Dionne.

[*Translation*]

**Mr. Louis Dionne:** Earlier, I think David Beauvais suggested that 35% of transfers are to family members, which means that 65% of transfers are non-family. Our service mainly focuses on non-family transfers. Certainly, it would be a great help if there were significant tax and governmental benefits to that kind of transfer. We mustn't disregard that. I think in the future there will be more and more transfers that are non-family.

[*English*]

**Ms. Leah Taylor Roy:** Very quickly then, there were suggestions made that the tax advantages of a family transfer should extend to nieces, nephews and other family members.

Do you think they should also, then, extend to other bona fide farmers, who are going to take over and actually farm? We're extending it to the larger family, but why do we stop there? Why not extend it to immigrants who are coming to the country, trying to build a farm?

**Moe Garahan:** That's right. It has to go to who the new entrants are, which is a diversified group of people who extend beyond the traditional definition of family. It has to be available to third parties.

**Ms. Leah Taylor Roy:** Thank you.

**The Chair:** Just out of curiosity, colleagues, I went on ChatGPT and asked the question, "If I were seeking to become a new farmer and enter, what are the programs?" Obviously, there is the Canadian agricultural loans act program, which is up to \$500,000, and there's the young farmers loan under the FCC.

My quick question is for Coralee. Is part of our job here to extend the ability to access very low interest-to-cost debt or maybe go even further and have it be truly debt-free for a certain portion? Is it going to take, in the next 10 years, a major financial type of package between governments and financial institutions to help make that smooth transition, whether or it's intergenerational or external?

**Ms. Coralee Foster:** I think that would be great. I definitely think that would be helpful to anyone taking over. As I said in my presentation, family members often have a vendor take-back, and they have a promissory note.

Invariably, I find the first generation underestimates how much they need to comfortably live their retirement. Not only is it a struggle sometimes for the new generation coming in, but sometimes the generation going out struggles as well, because it's become the banker.

**The Chair:** I want to thank all the witnesses. You were very patient.

Thank you to my colleagues. I know we had votes, but I thought that was a very productive session.

I see Monsieur Perron taking a look at me.

I want to close here. I'm going to release our witnesses and thank them on behalf of our colleagues for providing their testimony today.

We are coming back on Thursday.

[*Translation*]

Mr. Perron, go ahead very quickly, please.

**Mr. Yves Perron:** Mr. Chair, you didn't mention at the beginning of the meeting whether the sound checks had been done. Today's meeting is obviously unusual. We started late and we had to combine the two panels.

I want to make sure that, in future meetings, sound checks are done and the fact that they were completed is announced at the beginning of the meeting. I don't know the reason for today's technical problems, but you can appreciate how frustrating it is when we can't get answers from the witnesses, given that time is already limited.

**The Chair:** Mr. Perron, I forgot to explain the instructions I normally give to all panels. We always do sound checks. However, for Mr. Caron and Mr. Beauvais, today's technical problem may have been due to the Internet connection. I don't know exactly. It's always important to follow the interpreters' advice. The sound checks were in fact done.

[*English*]

Colleagues, we are back on Thursday. We'll go from 8:30 a.m. to 10:00 a.m. The railroads are not able to make it on Thursday. They requested November 19. What we are going to do is this: We'll have five witnesses, so we'll do a super-panel. Again, it's from 8:30 a.m. to 10:00 a.m., so you get a few extra minutes to sleep in on Thursday morning.

On the 19th, we are going to be doing railroads. The Railway Association of Canada and Transport Canada will be in one panel, for about an hour and 20 minutes. This will be followed by our first crack at the CBAM study, which our analysts are preparing.

That's our agenda. We'll see you on Thursday.

The meeting is adjourned.

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