Investors can be a game changer for Canadian farm families

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As the President of AGinvest Farmland Properties Canada, I have a unique understanding of the difficulties faced by farm families when it comes to succession planning and the obstacles that young people face in starting their farming operations. I know from personal experience how crucial economies of scale are in agriculture and how challenging it can be to achieve them.

For example, in southwestern Ontario, it is estimated that it takes at least 1,000 acres of farmland to reach the economic feasibility required to support a farm family. Assembling a 1,000-acre farm in the province of Ontario can cost anywhere between $20 million and $30 million to set up from scratch. Coming up with that much capital as a young farmer is a significant barrier to entry. The reality is that the average Canadian farmer is close to 60. In 2021, those 55 years or older accounted for 60.5 per cent of Canadian farmers, a six per cent increase from the 2016 census.

Meanwhile, the proportion of young farmers fell by 8.6 per cent. To make matters worse, only 12 per cent of Canadian farms have a written succession plan. These statistics are a cause for concern, especially with the high cost of land and technology in agriculture.

This is where AGinvest can step in and make a difference. At AGinvest, we believe that alternative sources of well-managed capital (investment) that focus on long-term sustainability and food security can have a lasting positive impact on farm families. With up to 50 per cent of the farmland value in Canada expected to change hands over the next decade, AGinvest's goal is to provide investors with the opportunity to support the younger generation of farmers. We understand that the key to investing in farmland is for investors to work with a farmland asset manager who understands the needs of both farm families and investors.

Young people will face a challenge in finding capital to finance the wave of Canadian farmland set to change hands over the next 10 years. Photo: Getty Images

Contrary to what some believe, institutional or outside investment in farmland is not the cause of consolidation or high land values. Farmland consolidation has been increasing for decades, predating the advent of institutional farmland investing. Farmland consolidation is primarily driven by long-term economic factors such as technological advances, shifts in consumer preferences, consolidation in retail and supply chains, and more volatile commodity markets. Investors are simply filling a void created by these industry changes, which is in the "very early days" of what is to come. Institutional investment represents less than one per cent of the farmland value in Canada.

Technological advancements in agriculture have allowed family farms to manage more land and make their operations more efficient and productive. The value of farmland has increased because it has become more and more productive, and farm families know this. The trend towards expanding farming operations has resulted in many farmers seeking additional land, which requires additional capital. As a result, family farms are increasingly adopting a more corporate structure and being more strategic with their balance sheets. Institutional investment can help provide the capital required for farmers to achieve economies of scale crucial for their success.

In conclusion, the demographic challenge faced by the Canadian agriculture industry is accurate, and the future of food security depends on the success of the younger generation of farmers. As a farmland asset manager, AGinvest is ready to help usher in a new era of investment in Canadian agriculture. We aim to match those looking to invest in farmland with the next generation of farmers who need alternative sources of capital. With AGinvest, Canadian farmers can benefit, and investors can play a crucial role in supporting Canadian farm families.