



Succession Planning on Canadian Farms

Evidence from the Farm Financial Survey

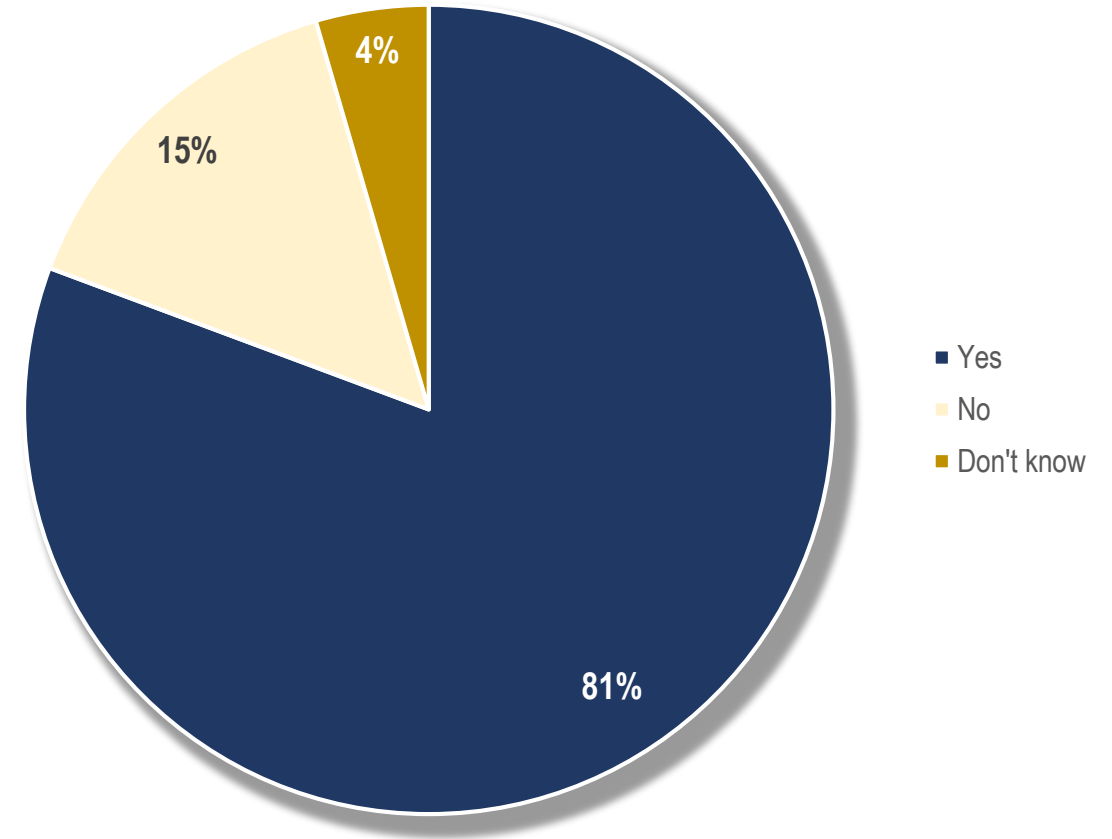
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The owners of most farms have a will in place, but the share is lower for operators under 40 years of age

- A will is a legal document that determines who inherits an estate after the death of the owner of the estate, and how the estate will be managed. The farm business is included in the estate of farm owners.
- A large majority (81%) of farms indicated that the current owner(s) had a will. This means that most Canadian farm owners/operators have considered their family wealth and/or future continuity of the farm after their death.
- Among farms with at least one operator aged 65 or older, 88% had a will in place, compared to 58% when all operators were under 40 years of age.

Farms with and without a will, 2019

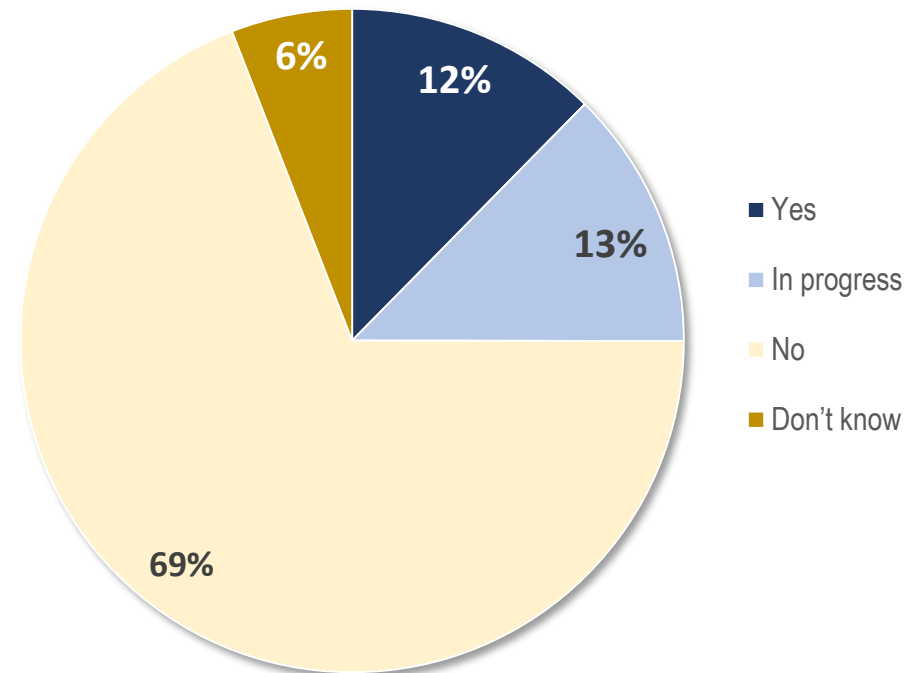


Source: Statistics Canada, 2019 Farm Financial Survey

One quarter of Canadian farms have a written succession plan either completed or in progress

- While 81% of Canadian farms indicated that the owners had a will in place, only 25% have a succession plan in place or in progress:
 - 12% indicated that they had a written succession plan completed
 - 13% indicated they had a written succession plan in progress
- 41% of farms reporting \$1 million or more in gross revenues report they have at least begun the process of creating a written succession plan
- When the oldest operator was 60 years or older, the proportion of farms with a written succession plan in place (15%) was nearly double that of farms where all operators were under 40 years of age (8%)

Farms with and without a written succession plan, 2019

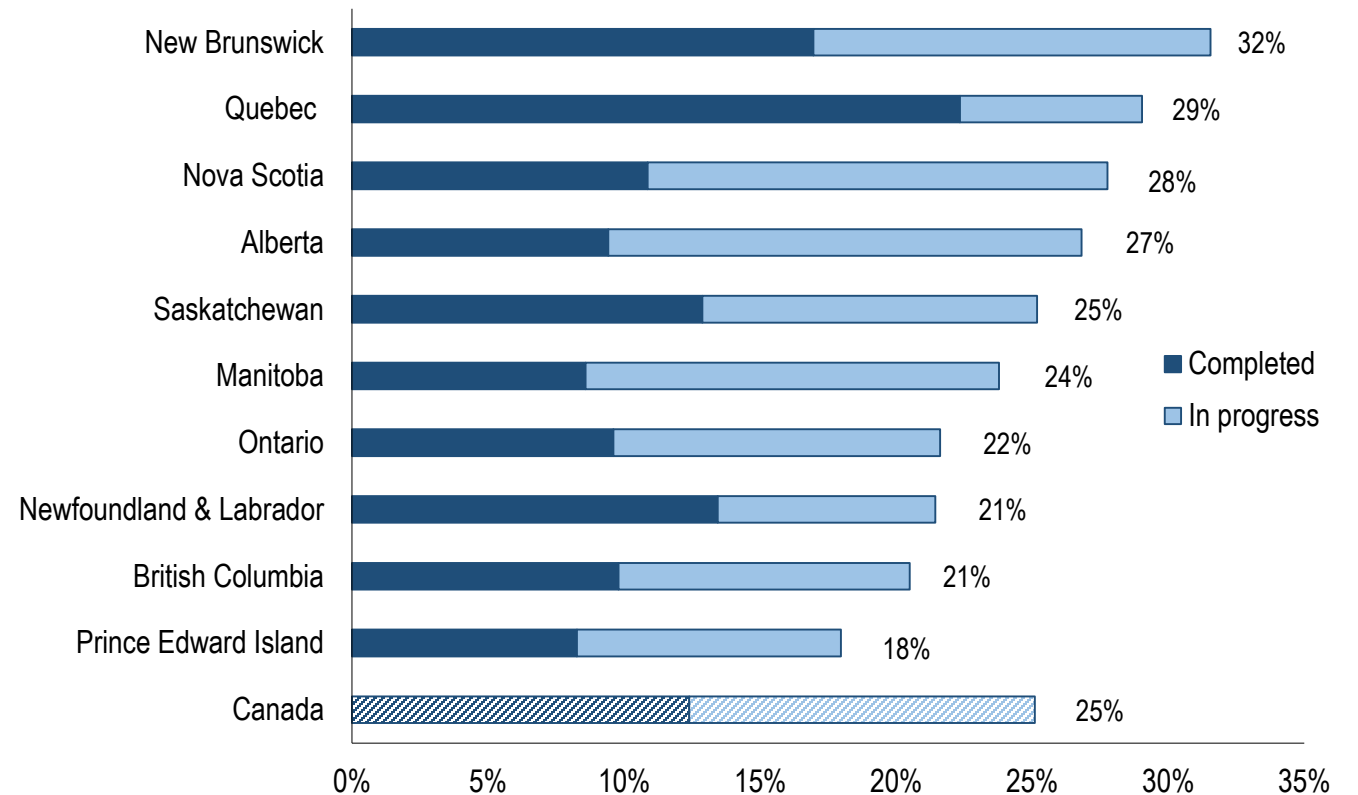


Source: Statistics Canada, 2019 Farm Financial Survey

Farms in New Brunswick and Quebec are the most likely to have written succession plans

- In New Brunswick, 32% of farms had a written succession plan either in place or in progress. This was followed closely by Quebec (29%), where a larger share of farms had completed plans
- In the Prairie provinces, where about half of all Canadian farms are located, Alberta had the highest proportion of farms (27%) with a written succession plan at least in progress

Farms with a written succession plan completed or in progress, by province, 2019



Source: Statistics Canada, 2019 Farm Financial Survey

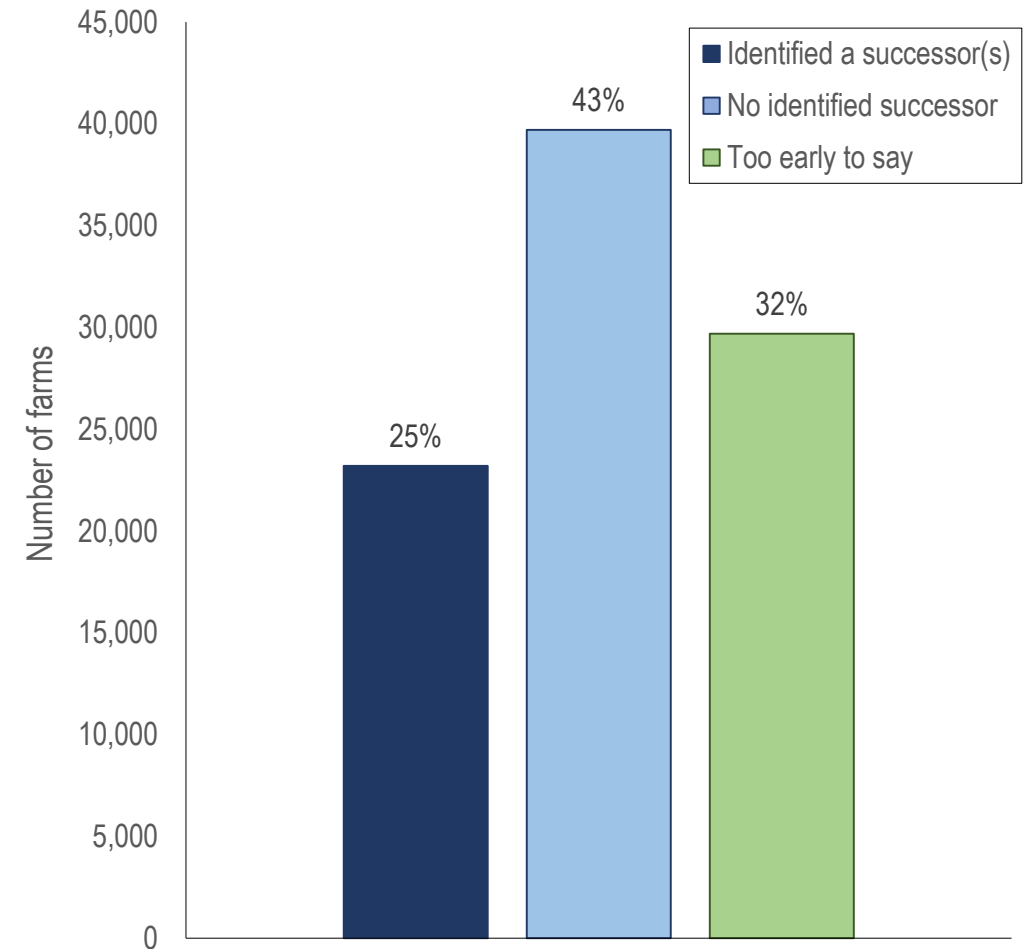
Operator age and experience, as well as farm size, operating arrangement and location are factors impacting succession planning

- Analysing the data more deeply shows which farm characteristics contribute to the likelihood of a farm having a written succession plan identified the following factors:
 - **Operator age and experience** – farms with older and/or more experienced farm operators are statistically more likely to have a written succession plan either in place, or in progress
 - **Farm size** – Larger farms (i.e., those reporting higher gross revenues) are more likely to have at least started work on a written succession plan
 - **Operating arrangement** – Incorporated farms are more likely than sole proprietorships to have initiated work on a written succession plan
 - **Region** – Quebec and New Brunswick have a higher share of farms with a written succession plan either in place, or in progress, than the other provinces

Most farms expect their farm will continue, regardless of whether or not a potential successor has been identified

- Knowing who will take over the farm is an important step in planning for a smooth farm transition
 - 1 in 4 (25%) of Canadian farms had identified one or more potential successors for the farm business
 - 43% had not identified one or more potential successors
- There are a number of reasons for a farm to not have a successor identified – e.g., it is too early for the current operator to be concerned with succession yet or there is no intention for the farm to continue after the current owner
 - Approximately 1 in 3 (32%) of farms indicated it was too early to say whether a potential successor had been identified or not
 - More than half (61%) of farms without an identified successor believe the farm would continue, either under family operation, leased/rented out, or sold to new owners/operators

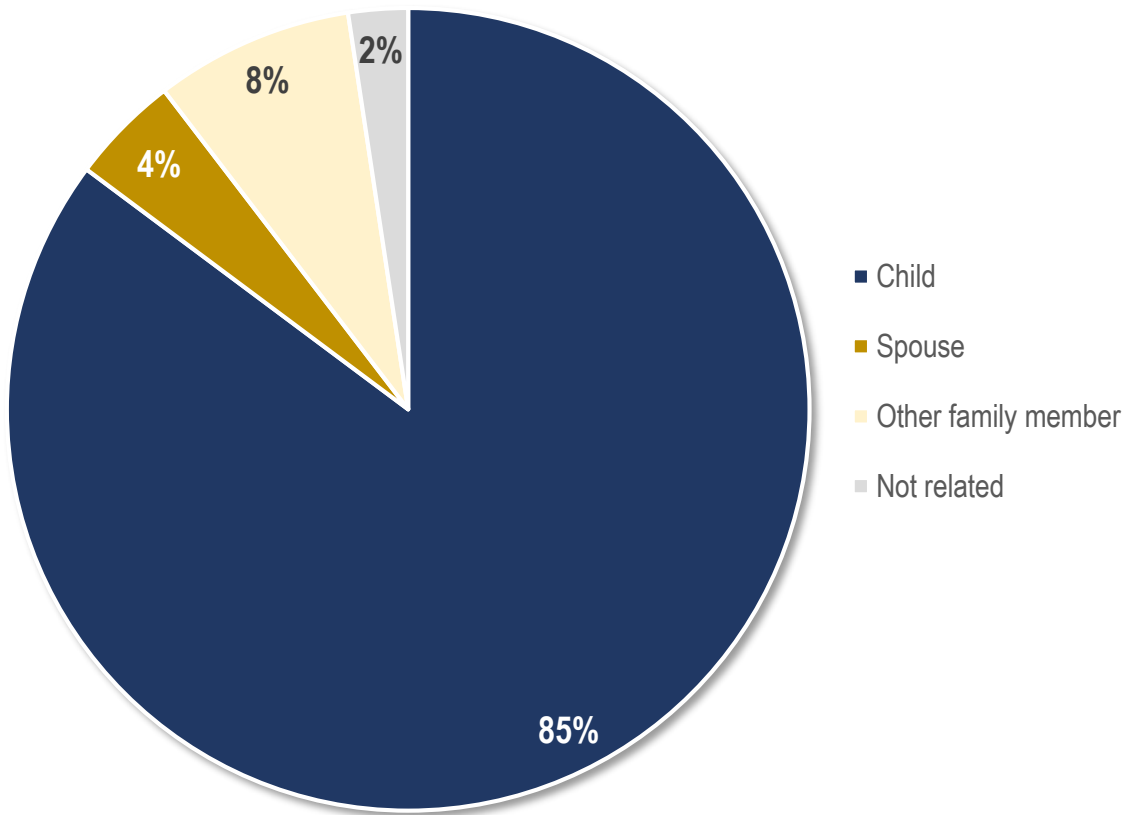
Distribution of farms, by successor identification, 2019



Most successors are children of the current operator

- On farms identifying at least one successor, 85% of potential successors were a child of the current operator
 - Other family members were the next most common (8%), followed by spouses (4%), while only 2% of potential successors were unrelated to the current operator

Relationship between potential successors and current operators, 2019



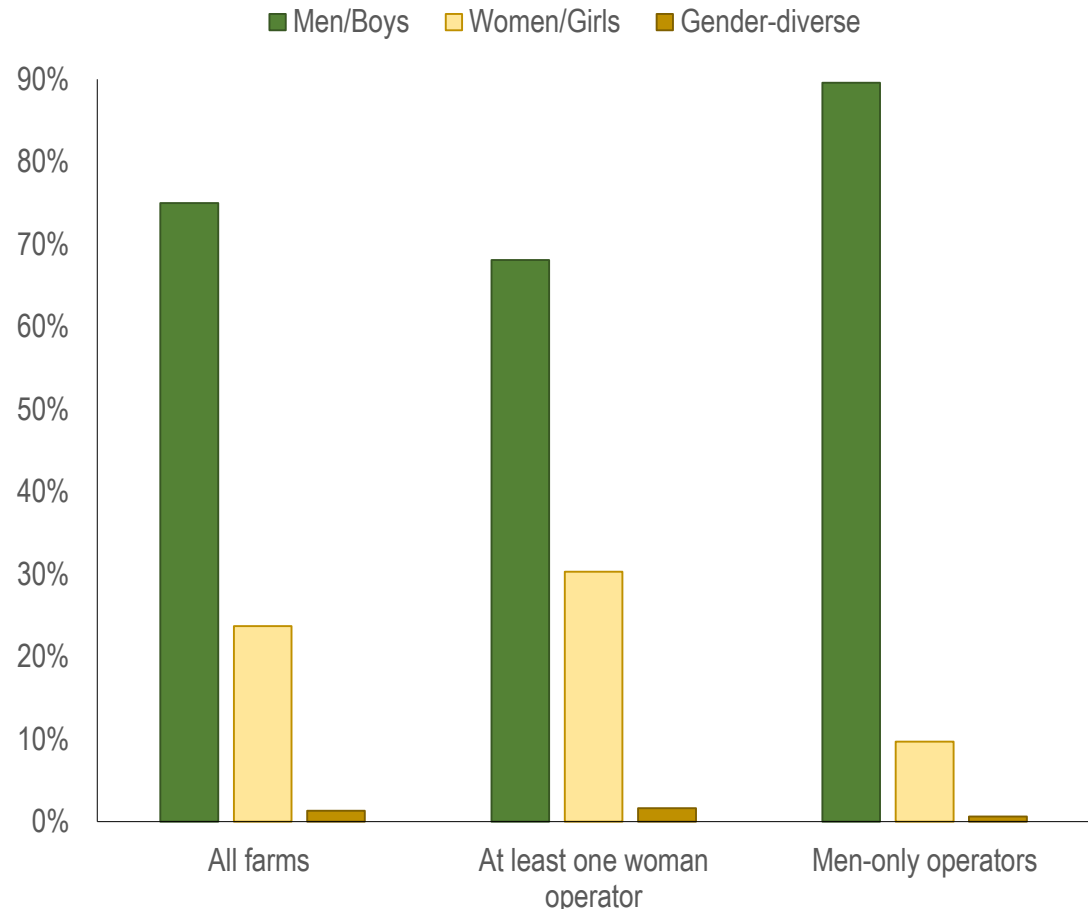
Source: Statistics Canada, 2019 Farm Financial Survey

Three quarters of successors are boys and men, but this share is lower when at least one current operator is female

- The vast majority (75%) of potential successors were men or boys
 - This was more pronounced among larger farms, particularly on farms with \$2 million or more in revenues where men and boys represented 82% of potential successors
- These results suggest a possible decline in gender equity among farm operators in the future
- On farms where at least one operator was a woman, the share of women and girls among potential successors was higher, at 30% and the share of gender-diverse successors rose as well
- The presence of women among current operators appears to improve gender diversity among the next generation of identified successors

*Gender-diverse individuals refers to persons whose reported gender is not exclusively male or female.

Gender of potential successors, by gender of current operators, 2019

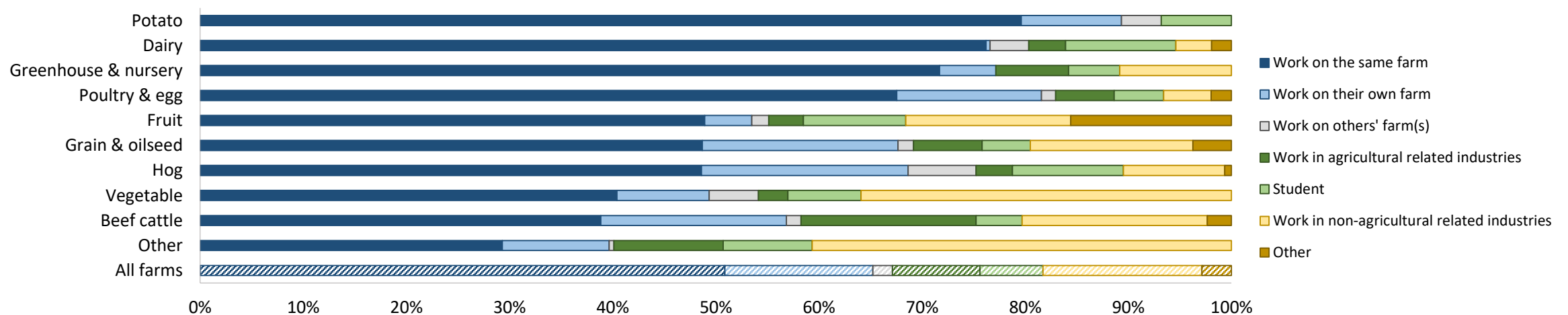


Source: Statistics Canada, 2019 Farm Financial Survey

The majority of potential successors either work on the same farm as the current owner or already own their own farm

- Potential successors were most likely to work on the same farm as the current owner, representing 51% of successors on farms with a single successor identified
 - This share increased as the age of the oldest operator increased, with 54% of potential successors working on the same farm when the oldest operator was aged 60 years or more
- A large majority of successors for potato (80%), dairy (76%), greenhouse and nursery (72%), and poultry and egg (68%) farms were employed on the same farm as the current operator
 - These farm types tend to be larger in size, requiring more labour and making it easier for the farm business to support both the current operator's and the successor's households.

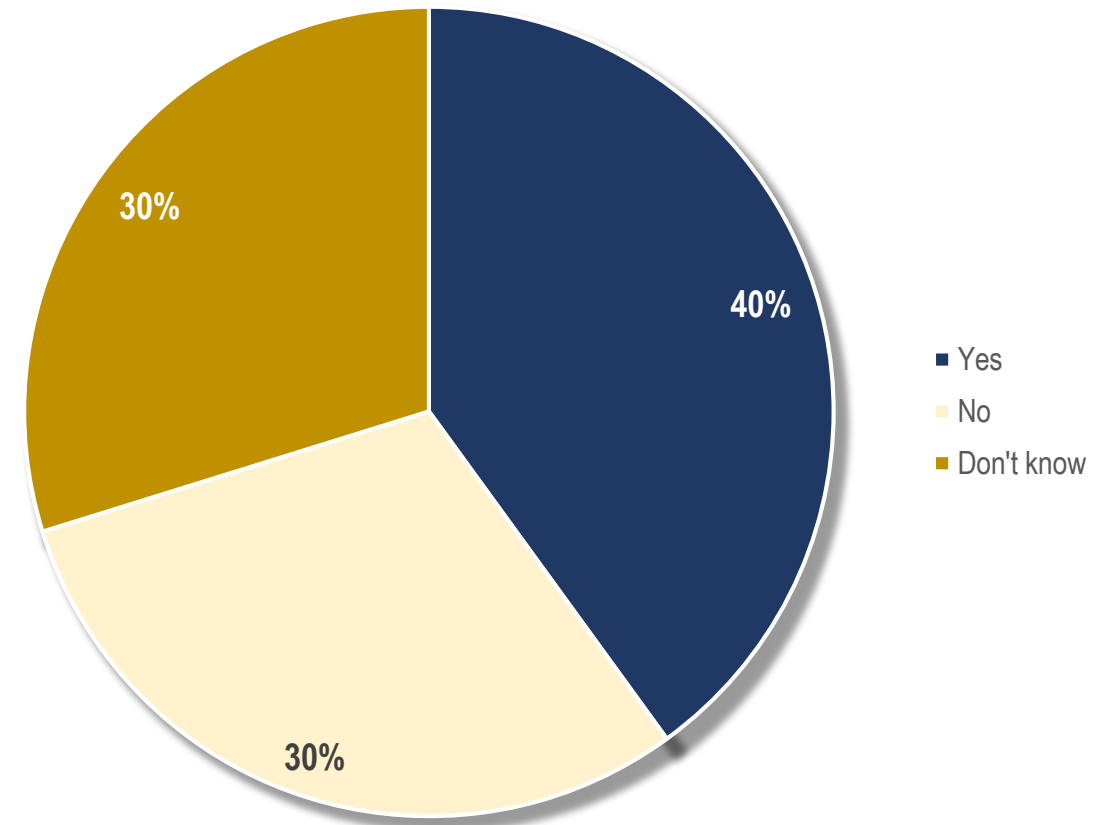
Current occupation of identified successors for farms with a single identified successor, by farm type, 2019



Fairness among heirs in estate planning is a potential concern for at least 40% of Canadian farms

- In addition to a successor who either currently is, or will be, taking over the farm, farm owners may have additional family members (e.g., other children) who may inherit a share of the farm family assets but not be actively involved in the farm operation
 - This was the case for 40% of Canadian farms, with another 30% uncertain.
- As the division of the farm and other assets among family members is part of the succession planning process, this highlights the importance of ensuring farmers have access to information and expert advice on the options available to them (e.g., asset diversification)

Farms with family members who may inherit a share of the farm but not be active in its operation, 2019



Source: Statistics Canada, 2019 Farm Financial Survey

Key Takeaways

1. Many Canadian farms (25%) have started planning for the future of their farm, with about 12% reporting a completed written succession plan.
2. The likelihood of having a succession plan in place increases both with farm size, and with the age and experience of current operators, indicating that progress on succession planning is highest among the farms for which it is most critical.
3. Most owners (98%) intend to keep the farm within the family, with male family members more likely to take over the farm from the current operators.
4. While there is an encouraging increase in both the number and share of women among farm operators, results reveal an opportunity to encourage the consideration of women when identifying and grooming farm successors.



Thank you.

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Annex: Definitions

- A **succession (or transition) plan** is a formal agreement that details the orderly transfer of the farm business from one generation to the next
 - This includes the transfer of ownership, assets, and managerial control, as well as farm specific knowledge from the current operator to the successor(s)
- A **will** is a legal document outlining the transfer of assets upon an individual's death
- A **successor** refers to the individual (or individuals) identified to succeed the current farm owner(s)
- Farm transition is important to AAFC, particularly given the high prevalence of family-owned and operated businesses in the agriculture sector, intergenerational transfer practices impact the success of the industry
- Information and analysis on farm succession planning also provides insights into the future of farming in Canada that help inform policy and programming decisions

Annex: The Farm Financial Survey

- The Farm Financial Survey (FFS) is conducted every 2 years and provides data on farm assets, liabilities, revenues, expenses and capital investments and sales, as well as on farm operator demographics and farm family income.
 - This information is used by Agriculture and Agri-Food Canada to examine the impacts of agriculture programs and policies on the different farming operations across Canada.
- Each FFS iteration includes a special section with questions on topics related to current policy priorities.
- For the 2019 FFS, one of the topics was succession (transition) planning.