



Specialists in the
business of agriculture.

Family Farm as an Intergenerational Asset

AAEA / REES Conference

Red Deer

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Outline

- 1. Why a family farm thrives as an organizational structure in Ag**
- 2. How and why they will have to change in the near future**

Why do family farms thrive?

In North America family farms represent most of the sector both in terms of the number of farms and production volume

Question: are there any parts of the world where a large corporate structure has dominate position?

Why do family farms thrive?

**Difficulty of control: operations
variability (mostly weather, but not
only...)**

Why do family farms thrive?

In space...



Why do family farms thrive?

And in time...



Why do family farms thrive?

Technology advancement allows economy of scale occur on the family farm level



Model Changes Ahead!

Consolidation is not over

Size Category	Number of farms	Total Receipts, thousand C\$	% of total receipts	Average receipts per farm, C\$
Less than \$500,000	38,780	3,359,532	29.3%	86,697
\$500,000 to \$,999,999	2,494	1,720,849	15.0%	689,996
\$1,000,000 to \$1,99,999	1,175	1,573,982	13.8%	1,339,559
\$2,000,000 or more	785	4,781,815	41.4%	6,091,484
Total	43,234	11,436,180	100%	264,518

Model Changes Ahead!

Consolidation is not over

Case scenario	Long-term Capital Requirements	Operating Capital Requirements
Dairy farm – 300 Cows, 640 acres of land	18 million C\$	0.5-1 million C\$
Feedlot – 11,000 Head, 160 acres of land	7 million C\$	22 million C\$
Crop farm – 10,000 acres of good quality dryland: 60% owned, 40% rented	15 million C\$, minimum	1.5 million C\$, minimum

Model Changes Ahead!

Consolidation is not over

Indicator	2009	2014	% Change
Total value of farm capital, thousand C\$	87,451,352	127,695,576	+ 46.0%
Farmland and farm buildings value (C\$ per acre)	1,426	2,092	+ 46.7%
Farm Input Price Index	122.1	162.1	+ 32.8%
Average adjustment for capital cost allowance per farm, C\$	27,980	43,568	+ 55.7%

Model Changes Ahead!

Consolidation dynamics

Capital requirements for large scale farming operations (15-20% of farms), 2009-2014

	2009	2014	% Change
Average Capital per Large Farm Required, thousand C\$	7,000	11,400	+ 61.9%
Total Farms, number	46,708	42,116	- 9.8%
Total Large Farms, number	5,799	7,785	+ 34.3%

Model Changes Ahead!

Change drivers



Model Changes Ahead!

Two feasible operational models for the next decade:

1) Investor - operator

2) Investor – controller - operator