



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
<b>Total</b>	<b>43,234</b>	<b>11,436,180</b>	<b>100%</b>	<b>264,518</b>



# 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**