

# Submission to LPA Commissioner Horace Carver, QC

PEI Federation of Agriculture  
April 8, 2013



# PEIFA Overview

- PEI's Largest Farm Organization
- Established in 1941
- Member of CFA and AFA
- Comprised of individual members and 12 commodity organizations (Additional 2 pending)
- Mission is to improve the sustainability of Island farmers and their families
- Besides lobbying the PEIFA supports Island farmers by providing safety programs, environmental programs and a loan program

## PEIFA Supports Farms of All Sizes

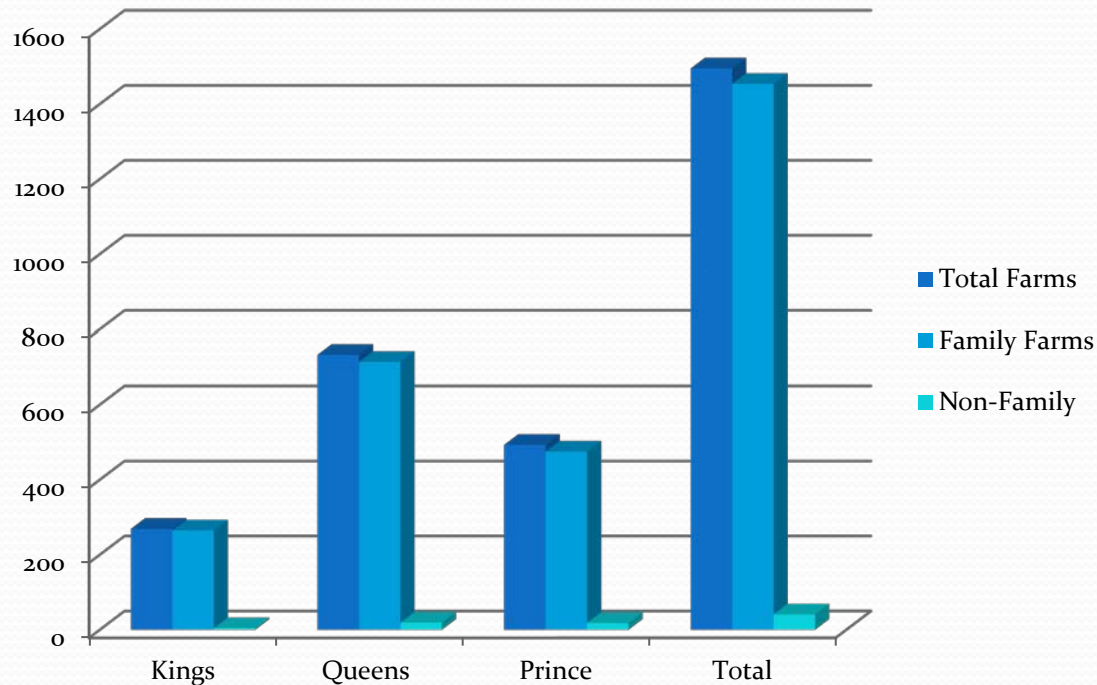
### ***Small, Local, Organic and Young Farmer Policies***

- Successfully lobbied for lower threshold to the Bonafide Farmer Program
- Reduced fees for small farms participating in APP program for loans <\$25K
- Minimum discount of 6 CPL for fuel with Co-op Energy supports small farms
- Sponsor for Atlantic and Canadian Outstanding Young Farmers
- Office space for Organic Growers Co-op.

# PEIFA Supports Farms of All Sizes

- Established a permanent position on Executive Committee for Young Farmer rep and encouraged member organizations to follow suit
- Currently lobbying for establishment of Land Bank II
- Supports local with Calendar/Facebook promotion
- 40% of current PEIFA Board made up of small, organic and young farmers
- HST benefits all size farms

# PEI Farms – A Question of Ownership

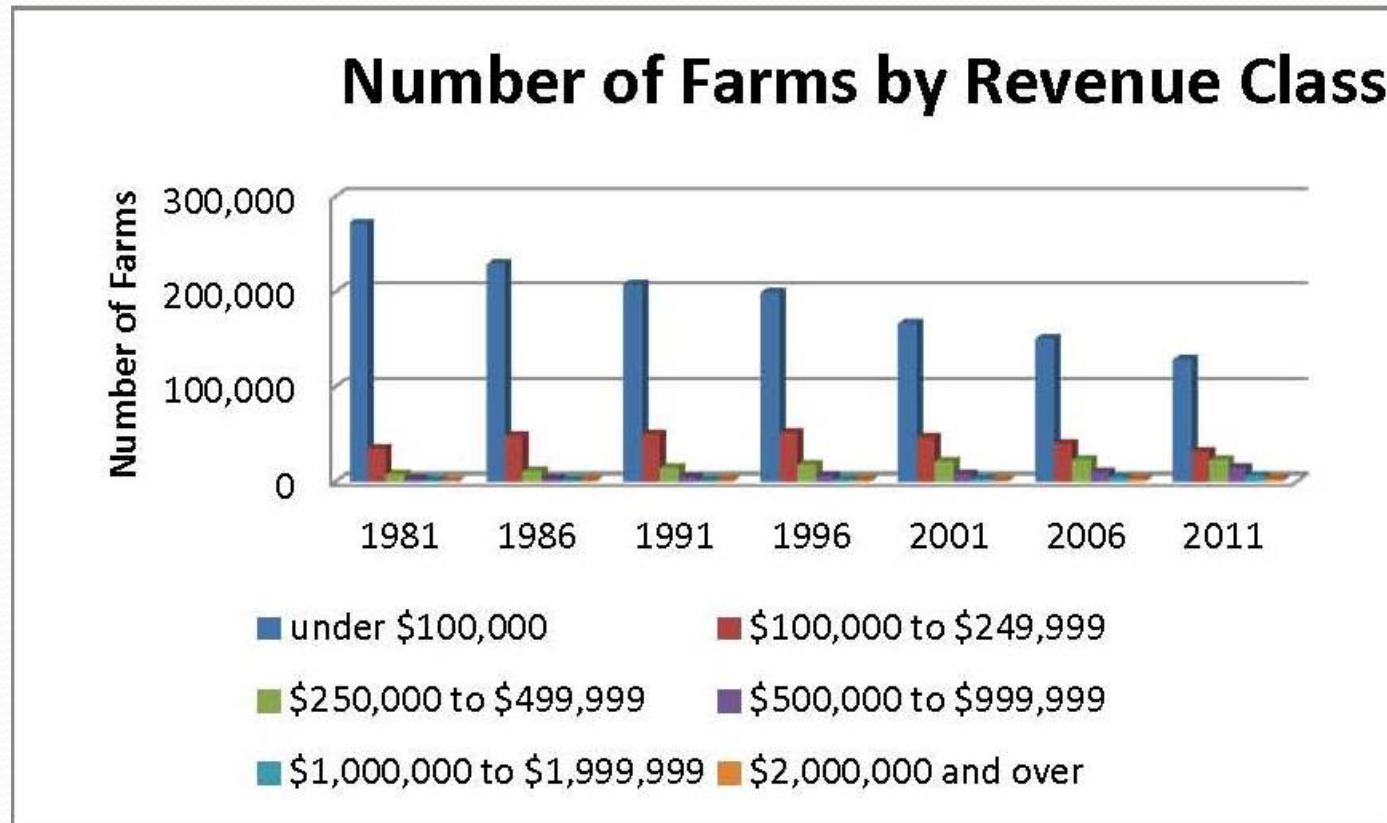


- Source: 2011 Census of Agriculture

- Includes individual, family, partnerships and family corporations

- Non-family farms include 10 farms with “other” ownership i.e community pastures

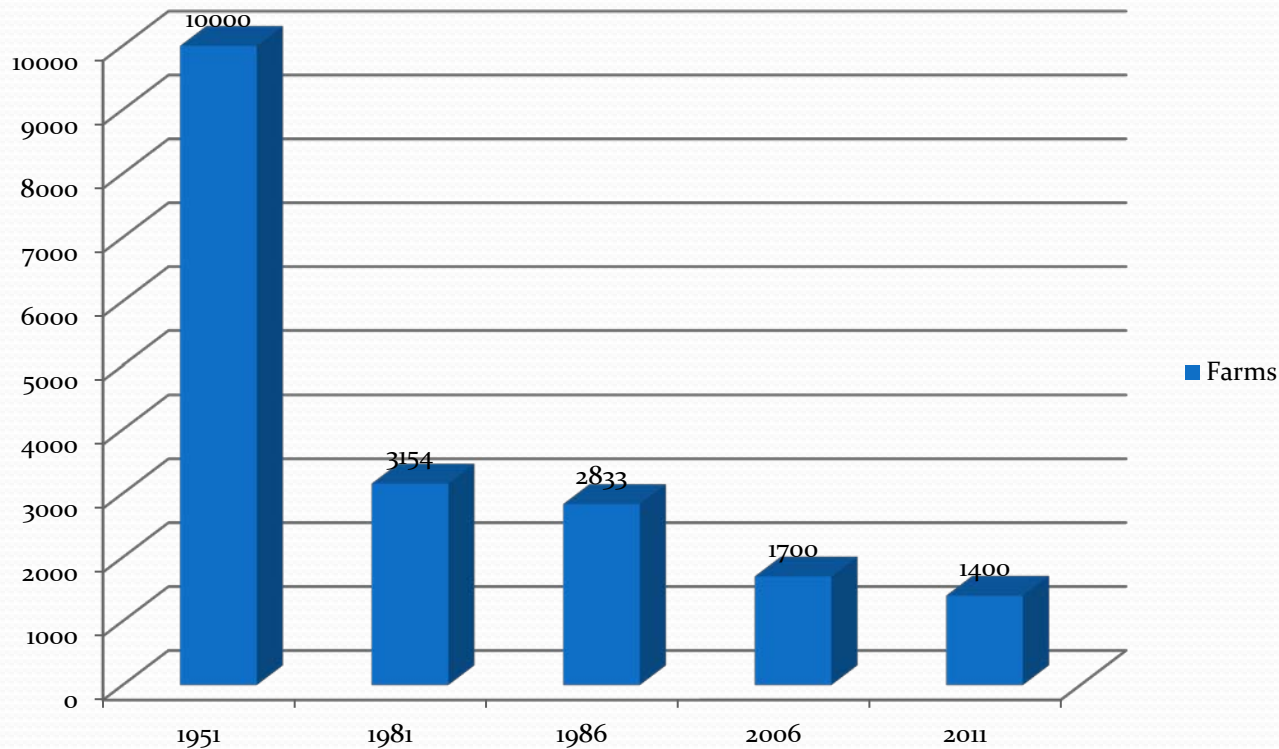
# Decline in Farm Numbers - Canada



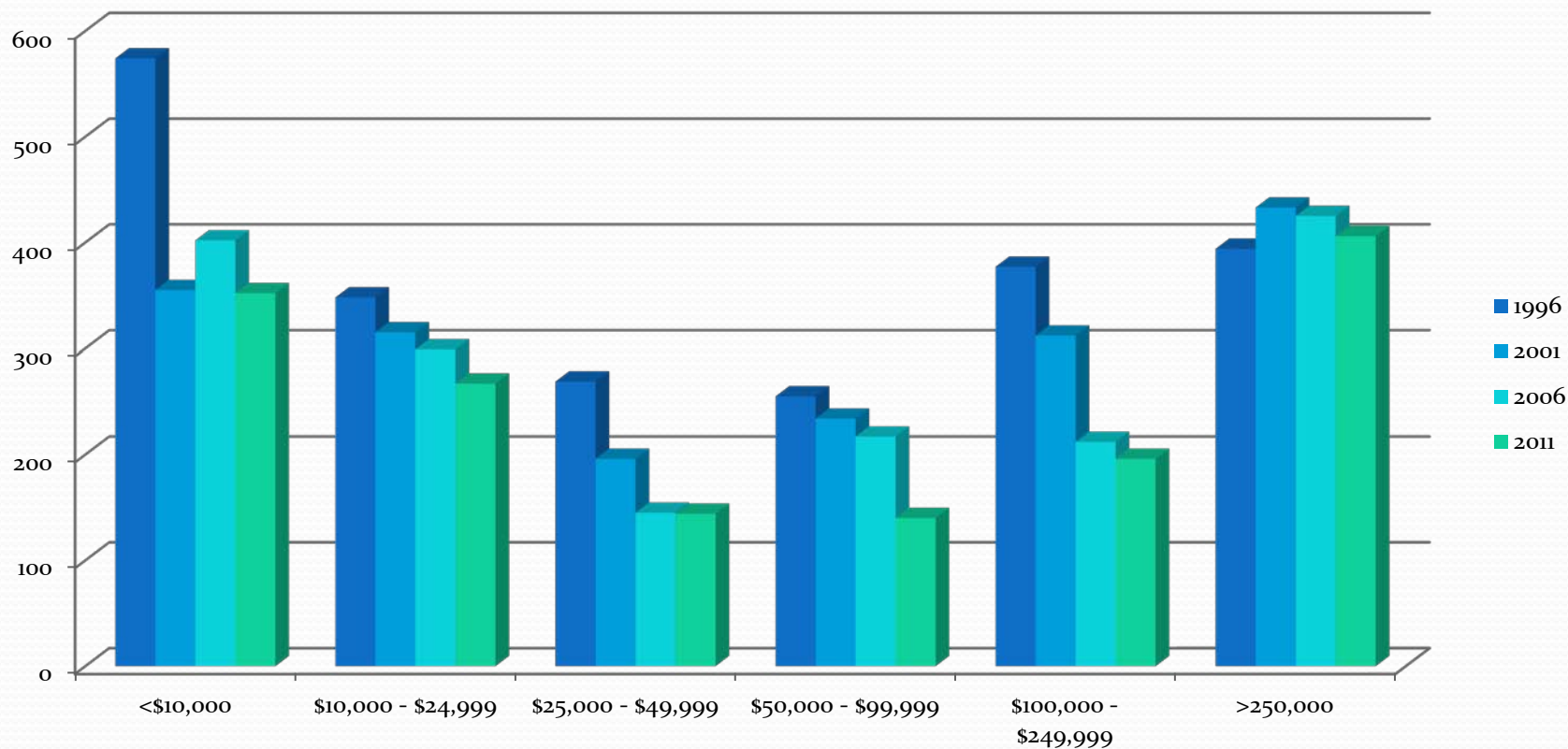
Source: 2011 Census of Agriculture

# Decline in PEI Farm Numbers

PEI Farm Numbers



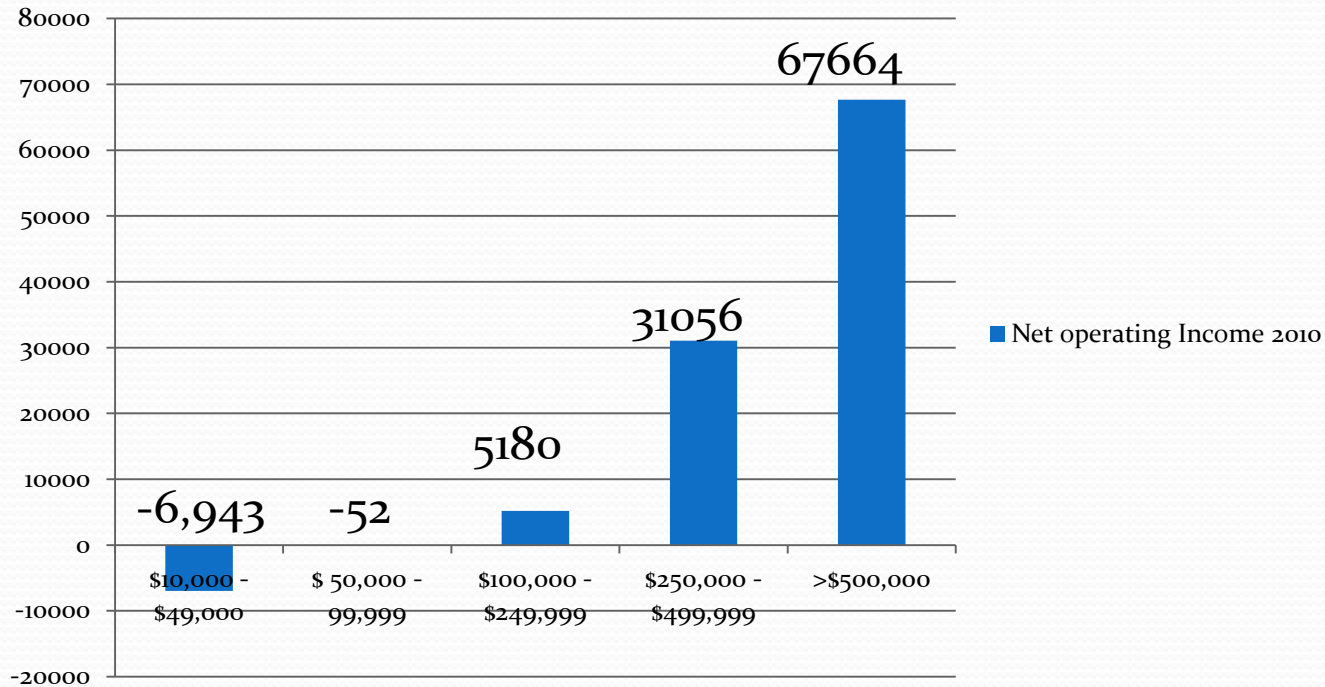
# Disposition of PEI Farms





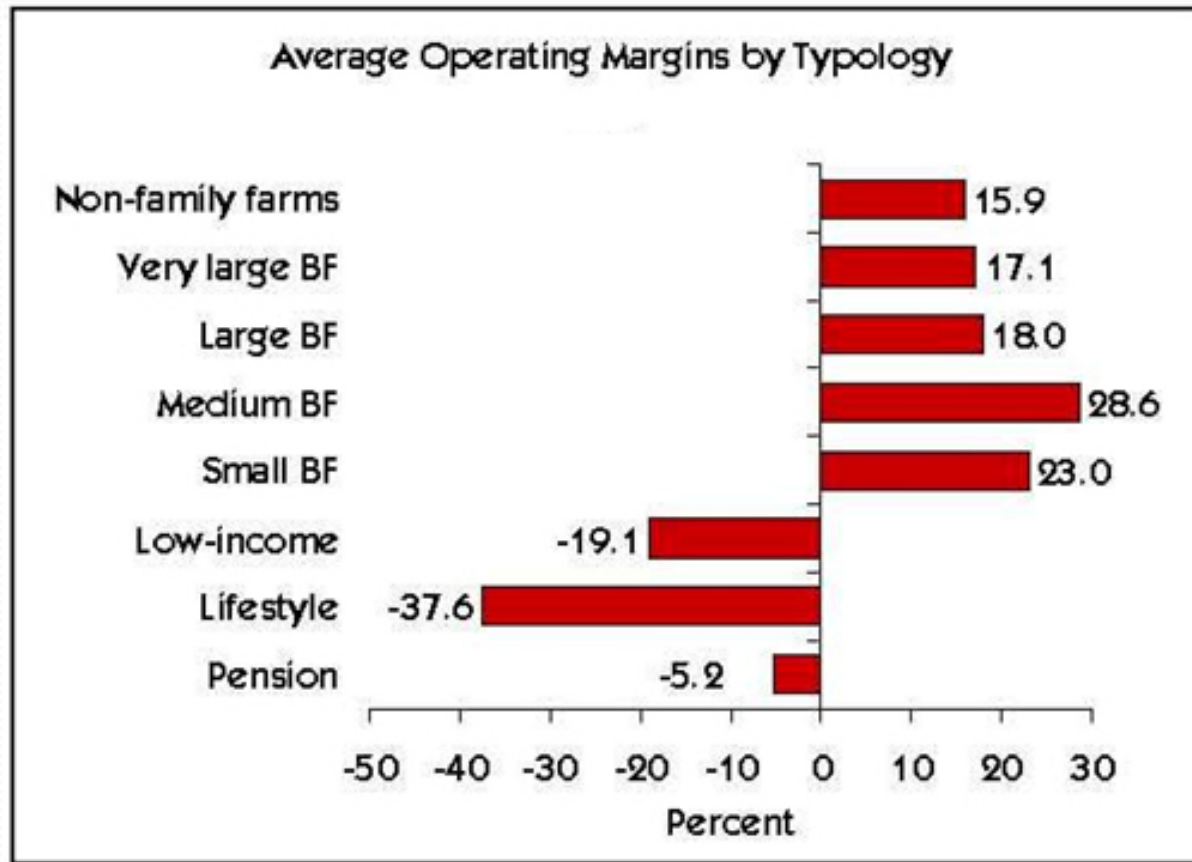
# PEI Farm Income by Size

Net operating Income 2010



Source:  
Statistics on  
Revenue and  
Expenses of  
Farms,  
Statistics  
Canada, 2010

# Canadian Farm Profitability



Source: Statistics Canada, Farm Financial Survey.

# Gross Income and Operating Profits

- Even with consolidation, PEI farms are NOT huge corporate entities
- \$250,000 in yearly farm gate sales is still quite small scale
  - 150 steers
  - 75 sow farrow - finish
  - 35 dairy cows
  - 80 – 100 acres of potatoes
  - Earnings after direct costs PEI average 20% (22% Can)

Source: George Morris Centre, August 2012

# Operating Profits – 20%

- Farms have \$.20 left of each dollar of sales
- Use this \$.20 to pay taxes, interest on borrowed money, replace equipment and pay themselves
- Farms with sales of \$50,000 have only \$10,000. Once interest, taxes are paid there is little left.
- Generally \$ 250,000 is required in farm gate sales for an independent living
- Gross revenue for all farm types has declined sharply since 1990 making economies of scale more important

# Farm Infrastructure, Capital Investment & Economies of Scale

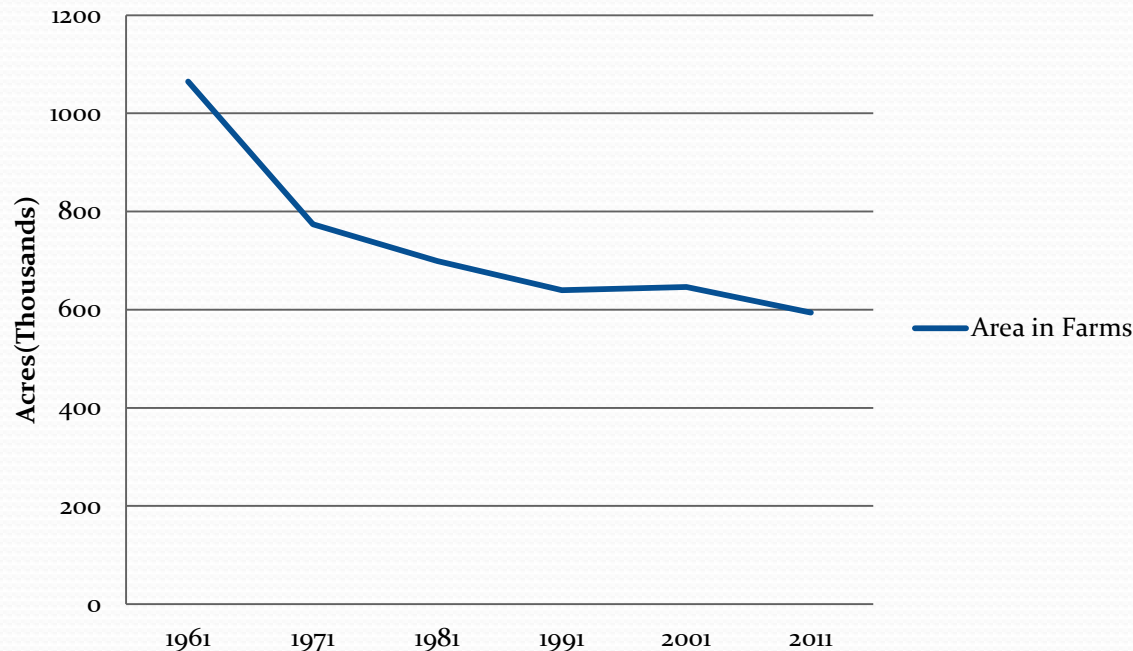
- Farms of all sizes require basic infrastructure (i.e land, fuel , fertilizer, tractors, buildings, etc.)
- Regulatory burden significant for all farms regardless of size.
- Cost of infrastructure to operate a 300 acre potato farm similar to an 800 acre - \$ 3000/acre to grow potatoes
- Livestock farms, regardless of size, often require ability to deal with manure
- Dairy farms require expensive specialized equipment regardless of farm size

# Farm Infrastructure, Capital Investment & Economies of Scale

- Costs of tractors, equipment, fertilizer, fuel, electricity have all increased since 1982
- Spreading these costs over additional acres = economies of scale
- Since 1980, farm size in Canada has increased by 52% to capture economies of scale
- PEI has been more dramatic going from 221 acre average to 398 acres, an increase of 80%

# Total Area of Farms

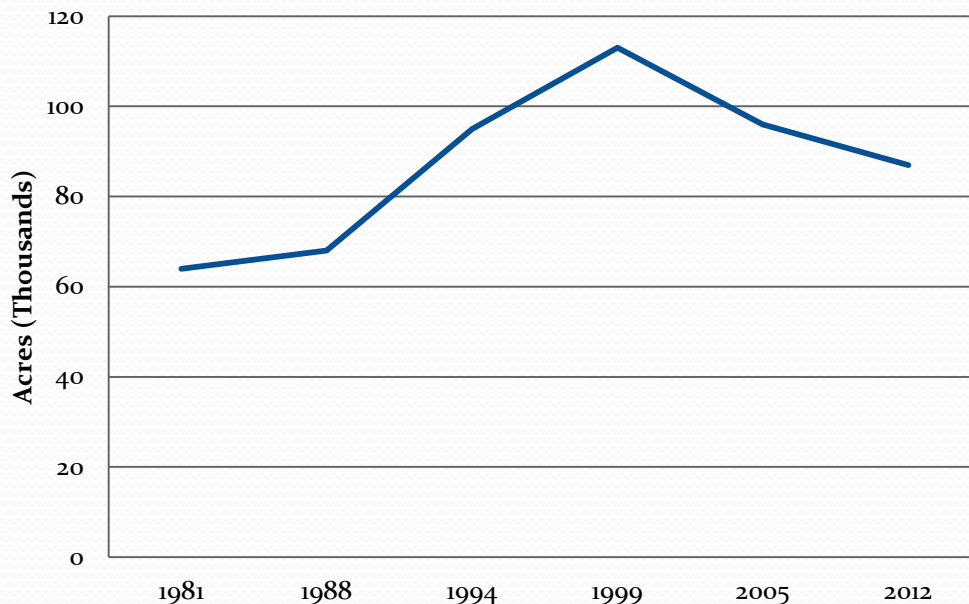
## Total Area of Farms (PEI)



- An increase in individual and corporate land holdings does not indicate increased farmed acres.

# Potato Acreage - PEI

PEI Acres in Potato Production



- United Potato Growers of Canada recommend a further reduction for 2013, possibly up to 7000 acres.

— Potato Acres



# PEI Farms and the Rural Economy

- Agriculture continues to be the largest part of the economy with almost all farms located in rural PEI
- PEI agriculture has the second biggest impact on the Provincial GDP in Canada (Sask – 1<sup>st</sup>)
- PEI farmers spent over \$40M in wages to non-family members in 2011 and another \$20M to family
- Direct employment on farms is 4000
- Total business operating expenses in 2011 were \$382M with almost all of it spent in rural PEI
- More than Food on the Table – Multiplier Effect
  - Machinery, vehicles, supplies, seed, inputs, vets, professionals, etc.

# Structural Change

- Technology has allowed more acres to be farmed by the same number of people
- Technology and costs are spread over more acres since the 1980's
- Smaller, older farms purchased by current farms often at the request of people trying to retire
- Requirements from end purchaser for more consistent products
- Regulatory burden esp. difficult for small farms
- Large and esp. small farms are increasingly specialized due to the need to meet market demands
- Small farms are less profitable

# Changes to LPA

- In 1982 maximum holdings of 1000 acres and 3000 acres met needs of the time
- Legislative and Regulatory changes reduced farmable acreages
  - Double counting resulted in a significant acreage reduction in mid-1990's
  - Environmental regulations reduced acreages (15 meter watercourse and perimeter of coast, high sloped land, Ag Crop Rotation Act)
  - These reductions averaged 25% on most farms

# Changes to LPA

- Increase allowed under the ability to exempt “Environmentally Significant” land
- Poor Uptake – under 10,000 acres Province wide
- Regulatory burden has been a hindrance
- Distrust of IRAC
- Application must be from the registered owner of the property which limits rented acres.

# Recommendations

- Reduce Paperwork Burden
  - Eliminate the need to seek permission to rent or lease land
  - Eliminate the need for reporting under Sections 8 & 11 and have individuals or corporations report if they are in compliance with the Act
- Environmentally Significant Land
  - Wetlands, forested, high-sloped, buffer zones
  - Maintain this provision and simplify the process
- Allow a small acreage to be set aside from a Corporation's land holding limits for the purpose of providing shelter or other defined purpose to shareholders in the corporation

# PEIFA Recommendations

- Shareholders
  - Maintain the current requirements for corporations that limit the total land holdings by the number of shareholders.
  - Implement a period of grace that allows for an orderly succession when a shareholder dies or retires
  - Maintain the current limits for non-resident individuals and corporations.

# PEIFA Recommendations

- Land Limits
  - Increase the aggregate land holding limits to 1500 per resident individual and 4500 per Island corporation.
  - Maintain the practice of “double counting” but allow an exemption for a percentage (to be defined) of the land holdings between two Island Corporations under a short term lease (3years or less).
- Land Bank
  - Maintain the importance of implementing the Land Development Agency 2 as a mechanism that allows orderly succession of farms from one generation to another.

# PEIFA Recommendations

- Conduct a review of proposed changes after they have been in effect for 3 years.



# Final Thoughts

- A viable rural economy on PEI is dependent on agriculture and the current Act potentially weakens this
- PEI is not immune to rationalization that is taking place in Canada in ALL industries including agriculture
- An increase in allowable acreage is an attempt to match the number of farms with the farmed acreage on PEI
- Current Act is heavy paper burden and impedes growth and puts more small farms at risk
- Act must meet the realities of farming in the 21<sup>st</sup> century and meet the needs of farms and PEI going forward
- Aging farm population is becoming an increasing issue on PEI with many operations with shareholders wanting to retire

# Final Thoughts

- We are NOT seeing the demise of the family farm or the rise of the corporate farm on PEI or in Canada.
- Need for agriculture has never been bigger and by 2020 Canada could be one of the few countries in the world with the ability to feed itself and others.
- Farms of ALL sizes are needed and the regulations within the LPA have minimal impact on the success of small farms – other policies are needed.
- Farms tend to cooperate with the trading of land and sharing of equipment, renting of land . Many times smaller farmers tend to rely on the larger operations

# Final Thoughts

- A slight increase in acreage will provide for enhanced stewardship through better rotation
- More work needs to be done to improve land management and to manage a changing climate
- 70% of the new production needed to meet global needs will be through technology which again is more easily adopted by larger, specialized operations



“Change is Mandatory  
Survival is Optional”

Edward Denning