

PREPARED FOR SUCCESS - A LOOK AT THE NEXT GENERATION OF ALBERTA FARMERS

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Abstract

The future growth potential for the agriculture industry in Alberta is dependent on a younger generation of farmers who will not only maintain the current level of production but increase it further. At present fewer members of this younger generation are becoming involved in agriculture than in years past. To investigate the current barriers to entry as well as possible solutions to them a telephone survey was conducted with a group of 35 farmers who had started farming within the last 10 years. The findings indicate that low returns on agricultural productions combined with high capital investment requirements and limited land availability are the primary barriers to entry as well as expansion. Two thirds of the group reported having good access to financing in the startup period. Half of the producers also indicated that either their spouse, themselves or both were working off the farm at least part time to provide extra cash flow to cover the financing charges for their capital asset purchases. Financial management was the top ranked farm management competency followed by production techniques and a virtual tie between commodity marketing and risk management. Two thirds of the group had received encouragement from their parents to begin farming and perhaps more importantly three quarters of them had received on or more types of assistance from their family. 91% of the producers could clearly identify emerging opportunities in the industry and just over half of the producers were either planning for or already moving into these areas. The attitudes expressed by this group indicate that they recognize the necessity for prudent financial management and are prepared to work hard to overcome the challenges in the industry.

Introduction

One third of the producers in Alberta are now 55 years of age or older (Statistics Canada, 2001 Census of Agriculture). Many are expected to begin downsizing their farm operations or even exiting agriculture completely within the next decade. This begs the question: "who will be taking their place?"

Only 11% of Alberta producers are age 35 or less, compared to 21% a decade earlier. This is cause for concern as these producers are typically still building their operations unlike their older counterparts who have already reached their growth target. It will be very difficult to maintain, let alone expand, total agricultural production without new entrants to the industry.

Only 57% of farmers 45 years of age and over stated that they would encourage young people to get into farming if they were interested (Ipsos-Reid Farm Management Practices Benchmark 2001). In addition, more than half of these producers have not prepared a farm succession plan outlining how and when the farm operation will be transferred to the next generation. When these factors are combined with continued low net farm income levels and strong employment opportunities in other sectors of the economy the reasons for not going into agriculture seem almost overwhelming.

So who will the farmers of the future be? What attributes and abilities will become their critical success factors? How can government agencies assist and encourage these individuals in their development?

These questions will be addressed using interviews with young farmers from the target "under 35" age bracket. Instead of merely identifying the issues facing the young farmer it will tackle the attitude, education, and preparation necessary for them to be successful.

The Survey

This study is based on a telephone survey of 35 young Alberta farmers. The sample was drawn from the group of producers who contacted the Alberta Ag-Info Centre over a one week period. It was selected by screening all callers according to age and years of farming experience. Then those callers who were 35 years of age and under or who had 10 years of farming experience or less were identified. Although the sample was non-random it was considered to be a fairly accurate representation of the population due to the fact that the Ag-Info Centre is the first point of contact for all information, programs and services provided to farmers by the Alberta government.

Each participant was asked 20 questions relating to their education, their farm business structure, the amount of assistance and support they had received from their family, their sources of financing, whether or not they were reliant on off-farm income, the challenges they faced, the opportunities they had identified, their training needs and their advice for other beginning farmers.

Results and Discussion

The farmers ranged in age from 18 to 65 years with one to 15 years of experience as a bona fide farmer. The average farmer was 35 years of age with seven years of farming experience.

All but two of the group had post-secondary education with a college diploma in agriculture being the most common. Several of the individuals had received their journeyman's papers in a skilled trade such as electronics, plumbing and welding.

The most common farm business structure was a partnership with their spouse (42%). Sole proprietor and corporation were less common (17% and 14% respectively). Partnerships with a parent were reported by 11% of participants.

Almost 50% of the farmers surveyed had one or both spouses working off the farm. The most common situation had the wife working full-time off the farm while the husband stayed at home to run the farm. Four of the families had both spouses working off the farm at least part time.

The level of reliance on off-farm income tended to diminish with age and length of time in the business. All but one of the farmers in their early 20s stated that they would be unable to continue in business without their current off-farm income. In contrast the farmers in their mid to late 30s indicated that without any off-farm income they would be able to continue on but they would have to "tighten their belts" and do without some of the luxuries e.g. dining out.

Many participants indicated that they were prepared to accept a more modest lifestyle than their urban friends in order to get their farm business established.

All individuals surveyed felt that they could benefit from additional training and skills development. Financial management and marketing topics were the most commonly topics identified, followed by up to date production techniques e.g. low stress livestock handling.

Over two thirds of those surveyed had been encouraged by their parents to pursue a career in farming.

Most of the young farmers had received assistance from their families as they got started. Many of them were able to include their cattle as part of the family herd to reduce labour requirements and overhead costs. The use of the parent's seeding and harvest machinery for little or no cost was also quite common. Another significant contribution by the parents was labour – for machinery operation, cattle handling, fence construction etc. In a few cases the parents also provided loans or mortgages at very low or even zero interest.

It should be noted that two of the farmers were able to start their farm businesses without any assistance from their families. In both cases the individuals did not have parents who were farmers.

Most respondents felt that they had reasonable access to financing. Only 2 of the group indicated that they had experienced difficulty in obtaining loans from commercial lenders.

Over half of the young farmers had obtained a line of credit from a commercial bank.

Only a third of the group had or were using the low interest Beginning Farmer loans and mortgages provided by the Agriculture Financial Services Corporation (the Alberta government farm lending institution). It is interesting to note that even if they had not used it themselves almost all of those surveyed indicated that these loans were an excellent option for the beginning farmer.

The other farmers had mortgages from a commercial bank with the exception of one who had already paid off his mortgage.

Only two of the group had used the loans available from the "feeder" or "breeder" co-operatives (farmer-operated groups financing purchases of livestock for fattening or of breeding stock respectively).

Advice For Other Beginning Farmers

Over half of those surveyed recommended that the individual obtain a college education in agriculture before they get started in the business. A couple of individuals felt that a four year university degree in agriculture was necessary. Almost twenty percent of the group felt that it was not the type of education that mattered but rather that the individual obtained the necessary knowledge and developed appropriate skills for a farming career. Financial management, marketing, machinery repair and agricultural production techniques were cited as being the key subject areas.

All but five individuals felt that the young person should obtain employment experience away from their family farm before they came home and got started. The recommendation was that they work for another farmer or in a agriculture-related business for at least a year.

Several benefits of this experience were identified including – learning other ways of doing things; having a better understanding of how the business world operates; learning the value of a dollar – having to earn your way; gaining a different perspective, etc.

These comments were reinforced by the answers to the question on the most important farm business management subject areas.

The results are shown in Table 1 below.

Crucial Farm Business Management Subject Areas (Table 1)

	TOTAL TIMES SELECTED	FIRST PLACE SLECTIONS	AVERAGE RANKING
Commodity Marketing	15	1	2
Consumer Products Marketing	4	0	3
Environmental Management	8	1	2
Financial Management	31	24	1
Food Safety	1	0	3
Managing People	4	2	2
Negotiating Skills	4	1	2
Risk Management	16	2	2
Production Techniques	21	4	2

Financial management was indicated as a top three choice by almost everyone and was number one for most.

Risk management and production techniques were the other popular responses.

Environmental management, managing people and negotiating skills received a few votes.

Food safety was not selected as a top three choice.

The majority of individuals felt that low-interest financing was the best alternative. Their suggestions were to build on the existing Beginning Farmer loans by raising the borrowing limit and expanding the flexibility i.e. low or no interest and principal payments for the first two years of the cattle loan or matching machinery loan repayment periods to the useful life of the machine.

Only 1 person felt that the government needed to get involved in price determination by ensuring that increases in farm product prices matched the increases in farm input prices and inflation.

Attitude

The one item that all participants had in common was a positive attitude.

This was strongly emphasized in the advice the group had for new farmers. They were almost unanimous in stating that a potential farmer has to truly love what they do in order to be successful.

A common attitude was a willingness to make some sacrifices in lifestyle and personal spending in order to build up their equity in the farm business more quickly.

Only three individuals were unable to quickly indicate an opportunity that they had identified and many were already working on a way to take advantage of it.

Challenges

The most common challenge identified was an inability to obtain additional land to expand their operation at an affordable price. In all cases the farmer indicated that there was land available for purchase but that the price was so high that they would not be able to cash flow the payments. Generally it was felt that the prices were inflated due to non-farmers purchasing agricultural land for estate or hobby farm purposes.

One individual commented that there were not very many young farmers in his area thus he did not have a peer group he could talk to about the challenges he faced in establishing his operation.

Opportunities

91% of the group saw opportunities to expand their current enterprise. Over half of the group was already in planning stages or beyond. Many of the beef cow-calf farmers had been expanding their herds for two or more years. Several farmers identified opportunities that involved marketing farm produce direct to the consumer. Examples included medicinal herbs, organic vegetables and "natural" beef (no synthetic growth hormones used).

Conclusion

The individuals surveyed were almost unanimous in their belief that they had made the correct career choice and that they would continue to be successful. The recognition of the need for prudent financial and risk management as well as the ability to make the most of their market opportunities indicate that they know what will ensure their success despite the challenges in the industry. It is clear that their drive and determination will carry them forward towards their goals and that they will be the role models for the young producers who will follow in their footsteps.

Biography

Dale is the Business Management Specialist for the Alberta Ag-Info Centre in Stettler, Alberta.

His focus is on entrepreneurial skills development, farm succession planning, financial management and strategic business management. Dale grew up on a family farm and has a B.Sc. (Agr.) and an MBA from the University of Guelph.

Appendix 1

Young Farmers Survey – Prepared For Success

Alberta Agriculture, Food and Rural Development

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You have been selected to participate in a survey of the current issues facing young farmers in Alberta. Your input will be used to develop the Key Initiatives of the AFRD Growth Strategy. They may also be used in the planning of future department programs and policies.

All information provided will be kept strictly confidential and is subject to the provisions of the Freedom of Information and Protection of Privacy Act..

Please answer the following questions on the line provided.

1. What age range are you in?

___ under 35 years

___ 36 to 45 years

___ over 46 years

2. What level of education have you achieved?

___ college

___ university

___ other (please specify) _____

3. What is your current farm business structure?

sole proprietor

partnership

If yes check all that apply:

with your spouse

with your parent(s)

with your sibling(s)

with your parent(s)-in-law

with someone else (Please specify) _____

corporation

If yes check all that apply:

with your spouse

with your parent(s)

with your sibling(s)

with your parent(s)-in-law

with someone else (Please specify) _____

When you look back on your start in agriculture:

4. Did your parents encourage you to pursue agriculture?

strongly encouraged

encouraged

discouraged

strongly discouraged

Comments?

What assistance did you get from your family when you were getting started?

use of their machinery

let you run your cattle with their herd

co-signing a loan or mortgage

provided loan(s) or mortgage(s)

other (please specify) _____

What sources of financing have you used to get started? (Check all that apply)

- an operating loan(s) from a bank or the AB Treasury Branch
- an operating loan(s) from a credit union
- a livestock loan(s) from a breeder or feeder co-operative
- a machinery lease(s) or loan(s) from a machinery company
- term loan(s) or mortgage(s) from a bank or the AB Treasury Branch
- term loan(s) or mortgage(s) from a credit union
- a Beginning Farmer loan(s) or mortgage(s) from Agricultural Financial Services Corporation (AFSC)
- a term loan(s) or mortgage(s) from Farm Credit Corporation (FCC)
- other (please specify) _____

7. Do you feel that you had good access to financing as a new farmer?

- Yes
- No

Comments?

If there was a government initiative to encourage young people to go into farming, what would be the best way to do this?

Imagine that you are advising a recent high school graduate on how to prepare for a farming career.

9. What type of education would you recommend that they attain?

- college
- university
- other (please specify) _____

What subject areas would best prepare them for operating a successful farm business in the 21st century?

(Pick 3 and indicate the order of importance from 1 to 3 with 1 being the most important and 3 the least important)

- commodity marketing
- consumer products marketing
- environmental management
- financial management
- food safety
- managing people (human resources management)
- negotiating skills

- risk management
- production techniques
- other (please specify) _____

Would you advise them to obtain work experience away from their family farm business?

No

Why? _____

Yes

For how long?

1 to 2 years

2 to 3 years

other (please specify) _____

Why? _____

12. What one piece of advice would you give them on how to be successful?

Over 50% of Canadian farm families rely on off-farm earnings to meet their family living expenses.

13. Do you work off the farm?

No

Yes

full time

part time

14. Does your spouse work off the farm?

Not Applicable

No

Yes

full time

part time

15. What would happen if you did not have this off-farm income?

Not Applicable

What is biggest challenge that you face right now as you develop your farm business?

17. What is the best opportunity that you see in agriculture right now?

18. Are you prepared to take advantage of this opportunity right now?

Yes

No

Why not? _____

19. What would help you the most in being able to pursue this opportunity?

Is there any training that you feel would be helpful to you as you continue to build a successful farm business?

21. Any other comments?
