

# **ARTERRE: A NEW WAY TO ENSURE A FUTURE AND A DYNAMIC AGRICULTURE BY AN INNOVATIVE FARMLINK AND LANDLINK SERVICE**

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## **Abstract:**

*Traditionally the transfer of farm ownership has mostly occurred between family members. In the last few years, farming establishments outside of the family context evolved through business transfers, business start-ups or lease of assets. Close to 40% of new young farmers have chosen to start a new business or proceed with a non-family transfer to get established in agriculture. In Quebec (Canada), two projects have been implemented in recent years to help address this new situation and ensure the transfer of as many farm businesses as possible, thus reducing the number of farms being dismantled due to the lack of an available successor. The two projects are: the Land Bank and the Farm Business Bank. Different clientele have expressed an existing need to address this new reality. Therefore, the leaders of these projects have recently implemented support and networking services at the provincial level in the form of the Quebec Land and Farm Business Bank, named "ARTERRE". Field agents lie at the heart of the operating model. To support them, CRAAQ's services offer development of web tools, promotion and coordination of the service, as well as developing applied research that would be useful in solving problems encountered, etc.*

**Keywords:** *Networking services, Personalised guidance, Support services, Farm transfers, Transferor Prospective farmer, Land link, Farm link*

## **Introduction**

In the province of Quebec, the number of farms being dismantled is rising. This is due to the aging demographic of the farming population, the low renewal rate and the significant number of farm businesses not having family succession in place. Even if an intensification of agriculture activities is seen in some regions, this intensification is occurring at the same time as farm numbers decrease and is concentrated into the hands of fewer producers. This situation brings challenges in terms of access to the land and

capital, transition for young farmers, future sustainability, and the transmission of farm businesses as well as rural community vitality.

At the same time, many areas in Quebec must deal with the loss of agricultural usage for the benefit of residential properties and leisure activities, and most particularly, land conversion into important residential areas. Aside from having an impact on the local agricultural economy, this usage conversion carries many challenges for rural communities. This important transformation of the landscape of an area, left without maintenance and agriculture activities, reduces the attraction of many environments. Some of the areas used in the past by conventional agriculture have turned into meadows and wasteland. However, some agricultural models are emerging which present new value-added business opportunities for these regions.

Over the last few years, settlement patterns have evolved outside of the agriculture family context, either through business transfer, business start-up or through leasing of assets. Close to 40% of prospective farmers choose to start a new farm business or proceed with a non-family transfer to get established in agriculture (Quebec Ministry of Agriculture, Fisheries and Food, 2014). But with these settlement patterns comes a high level of complexity, as much for the producers as for the advisors. These settlement patterns impact the business farm transfer strategies of transferors, networking opportunities of prospective farmers and the transferors as well as the support measures offered to producers. Overall, the situation of farm transfers to out-of-family prospective farmers (unrelated parties) is not well known and in fact poorly documented in Quebec. Moreover, resources that would allow or encourage unrelated parties to network are scarce, as well as services that would provide support through creating networking opportunities and assisting with of out-of-family transfers. Going beyond the traditional pattern (parents-children) for farm transfers.

In this specific context, two innovative projects have arisen in the recent past years which aim at giving prospective farmers access to unused land or farms in operation. The first project is the Land Bank implemented by the Brome-Missisquoi regional community and the Farm Business Bank created by the Centre for Social innovation in agriculture and the Quebec Reference Centre for Agriculture and Agri-food.

These two initiatives, developed during the same period of time, share however a common vision: to offer all possibilities to passionate and serious prospective farmers to settle in agriculture.

### Involved organizations

Organizations	Quebec Reference Centre for Agriculture and Agri-food <sup>1</sup>	Centre for Social innovation in agriculture <sup>2</sup>	Brome-Missisquoi Regional community
Objectives	Non-profit organization: its principal mandate is to promote cooperation amongst its expert members and those of other agricultural and agri-food organizations in order to communicate knowledge, to create and to disseminate reference tools and carry out networking activities in the agriculture and agri-food sector.	Conduct applied research projects linked to social innovations in order to generate relevant practical results for the agricultural sector and the society	Provide a frame to the development of the region. Support the collaboration between the different region actors and support the planning of the development of the region.
Date of establish	2000	2009	1983
Management of the organization	Board of Directors representing main Quebec agriculture actors	Research centre evolving within a major education institute and linked to 30 partners	Board made up of the mayors of local municipalities.

<sup>1</sup> Centre de référence en agriculture et agroalimentaire du Québec (CRAAQ)

<sup>2</sup> Centre d'innovation sociale en agriculture (CISA)

### Support and networking services: organizational model and provincial partnership

These two initiatives, although operating in different ways, work towards the same goal: fulfill the missing needs of the current support network aiming for the settlement of prospective farmers and for the transfer of farm businesses through both supply and demand. Different clienteles (experts, farm transferors and prospective farmers) having expressed new needs, the leaders of the Land Bank and of the Farm Business Bank have

recently implemented new support and networking services at the provincial level: Quebec Land and Farm Business Bank named “ARTERRE”.

Over fifty regional communities, as well as territories in other provinces, have expressed their interest in the support service. A growing number of regions show interest in getting the services of the “ARTERRE”. At the same time, the increase of the number of candidate cases brings about growing logistic challenges. In this context, the innovative concept of a provincial land and farm business bank has become increasingly necessary. Indeed, the regions offering the services of Land Bank cannot yet count on a database tool with a search engine. The cases are therefore recorded in the form of information sheets accessible to the general public. Searching through case files is a laborious task and it is difficult to guarantee the confidentiality of the data. Moreover, when candidates show interest to register in the program, they are often unable to be integrated in the project due to the lack of a land bank in their area. In addition, consultations conducted by the Centre for Social innovation in agriculture with sector professionals or sector stakeholders help to confirm the needs of the sector regarding the implementation of networking services and for the research on transfer to out-of-family young farmers. Given the complexity of the process of transferring farm businesses to an out-of-family clientele and of the start-up steps in the context of farm leasing, it is imperative to have access to new knowledge on these topics. For example, developing models of out-of-family transfer, having more references and case studies available as well as developing diverse support tools would be of great benefit.

The implementation of a strong and successful support service has therefore been necessary: the two-project founding organizations reached the step to move forward. The new support service has very recently started to support the resources already in place that are related to starting new farms and farm transfer and will also act in tandem with them, thereby developing a service focused on networking. The Farm Business Bank website portal developed in partnership with Quebec references center in agriculture and agri-food and the Centre for Social innovation in agriculture will ease the operations developed by the Farm Business Bank, combined with tools dedicated to farm transfer. In this way, the combination of the two projects will allow, through a provincial platform, service tools to be offered to young farmers and transferors as well as to the advisors in farm business transfer.

This service is managed by pooling the expertise and by the clear sharing of roles and

responsibilities of the founding organizations involved, which are the regional communities, the Centre for Social innovation in agriculture and the Quebec Reference Centre for agriculture and agri-food references. For this purpose, this provincial coordination has helped implement the new service *ARTERRE*: the representatives of the founding organizations ensure that the required services are implemented. This provincial coordination has enabled the service to be offered in 15 different regions that have shown interest, and brings the support and the training necessary to the field agents. The development of web tools, the promotion of the service and the research useful to solve encountered problems are currently in the beginning stages.

### **Operation of the service *ARTERRE***

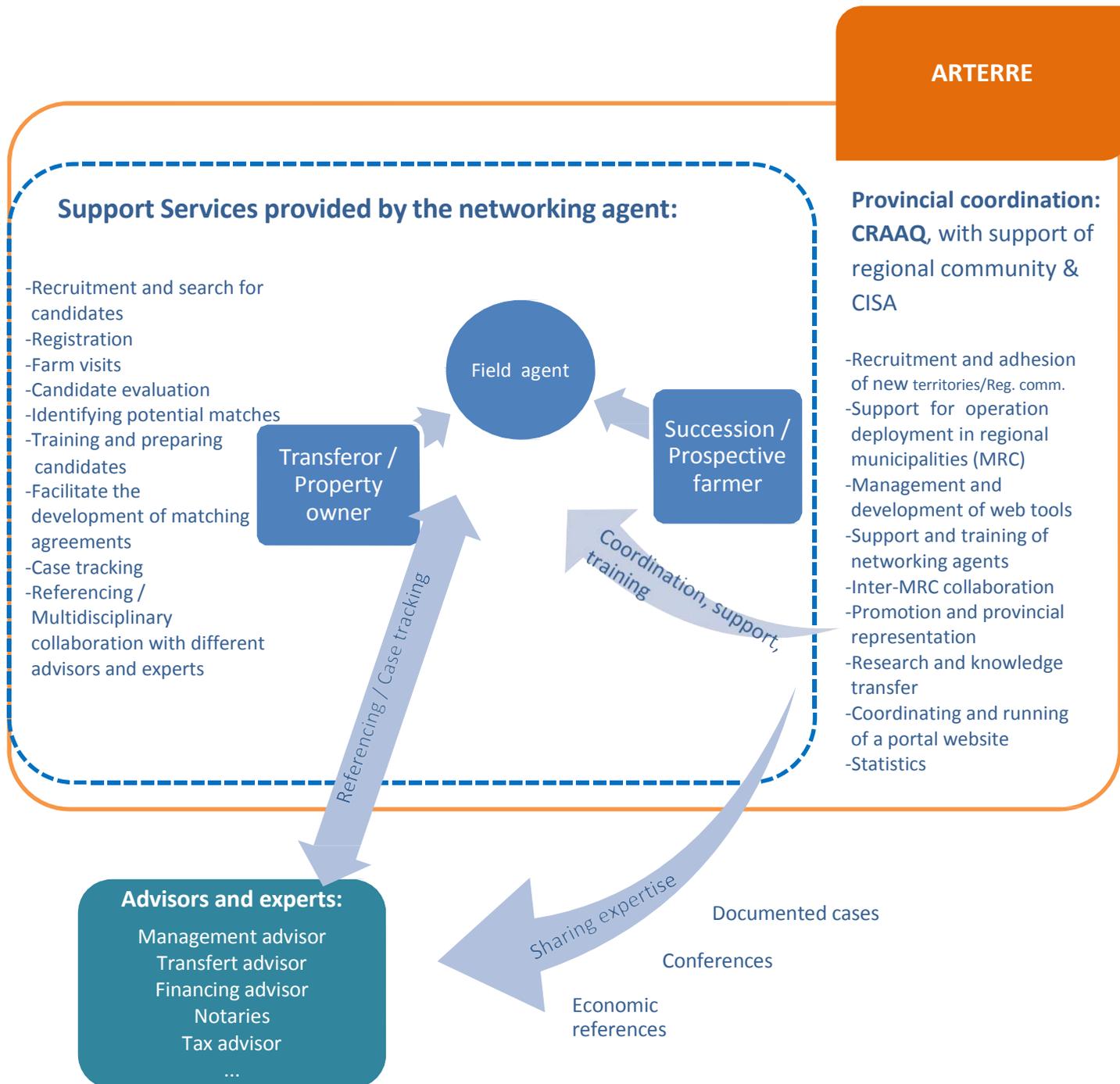
The goals of the service *ARTERRE* are as follows:

1. Maintain the dynamism of the agricultural sector in different areas, contributing to the land occupancy and to the vitality of the region;
2. Facilitate the access to the land for the prospective farmers;
3. Promote the durability of farm businesses, along with the preservation and the promoting of the agricultural heritage through new economic opportunities;
4. Support the setting up of prospective farmers and the consolidation of farm businesses through supporting networking opportunities, business transfer and the leasing of assets;
5. Promote the development and the sharing of knowledge by gathering, in a centralized manner, all the useful resources for allowing networking, setting-up prospective farmers and non-family farm transfers.

The field agent lies at the heart of the operating model of the services offered by the *ARTERRE* (Figure 1). The networking phase aims to 'matchmake' candidates, either for the lease with or without an option to buy, the loan of assets, the creation of business partnerships, the business transfer or mentoring services. To ensure the success of the networking phase, a sound assessment of candidature is necessary, at the same time considering social, entrepreneurial, financial, technical and economic fronts. The networking agent familiarizes him or herself with the condition of the parcels of land and available infrastructures, the level of candidates in terms of preparedness for retirement or for setting-up, the state of transferability of the farm, motivations and values of each party. The agent directs the candidates towards the resources and appropriate advisory services according to their level of preparedness or their needs; he or she then may

suggest actions in order to help them be better prepared. The networking agent also plays a facilitating role when consulting the databank: a first selection is carried out in order to identify the candidates that demonstrate a good potential for networking, according to the criteria established by each of the parties. He or she will make sure there is a good compatibility between both parties during the first meetings: the agent guides them to specify which elements could possibly have an impact on the conclusion of a business agreement (human, financial, legal, fiscal aspects, etc.). All along the networking process, the agent offers support in order to facilitate this phase and to allow performing a satisfying match through a lease agreement with or without an option to buy, a loan agreement, the beginning of a transfer process or a business partnership.

**Figure 1 Service operations**



Providing support, starting at the time of registration, is an important success factor; it ensures that candidates evolve to reach the right level of preparedness at the same time as the networking phase. Beyond networking, the agent plays an important information and referencing role linked to diverse needs: retirement planning, possible lease and transfer models, explanation of resources in place, ongoing training programs, possible financing, etc. Moreover, it is important to remember that the different steps for setting up, for retirement preparation and for farm transfer are long term processes involving a high level of complexity and economic, technical, organisational, legal, fiscal and communication implications, among others. Since very few experts can manage all of these aspects, many advisors are consulted to take part in a single case in order to ensure the appropriate support (management advisor, accountant, financial adviser, transfer advisor, successor advisor, financial planner, tax consultant, notary, lawyer, etc.). The networking agent has therefore to direct the candidates towards these resources and to work in collaboration with them.

The networking agent has every interest in working at the local level. This will allow him or her to get to know the territory and the candidates and to ensure necessary farm visits, for the assessment meetings and for meetings to prepare the networking agreements. The networking agent can act at the level of regional communities, inter-regional communities (ex: 2-3 regional communities of a same area) or of regional territories, depending on certain regional factors (ex: importance of agriculture in a given region, the size of the region, the number of expected cases in a given region, etc.).

### **Expected benefits**

This service will create benefits associated with maintaining the dynamism of the agriculture sector, the vitality of the local community and the social and economic occupancy of rural territories. The *ARTERRE* and its services will enable to ensure the durability of already-established farm businesses, by, at the same time, facilitating the setting up of young farmers and the starting of new farm businesses. This way, the farm entrepreneurs without successors will benefit from an alternative to dismantling their farm and will be able to plan on working with a non-related party. Better retirement planning coupled with farms being saved from dismantling will generate increased regional dynamism and overall benefit for the communities. According to a study conducted by the firm *Éco-ressources* (2013), the benefit associated with saving a given farm from being dismantled are assessed to CAD\$70,000 (€49,300 and US\$52,500) per

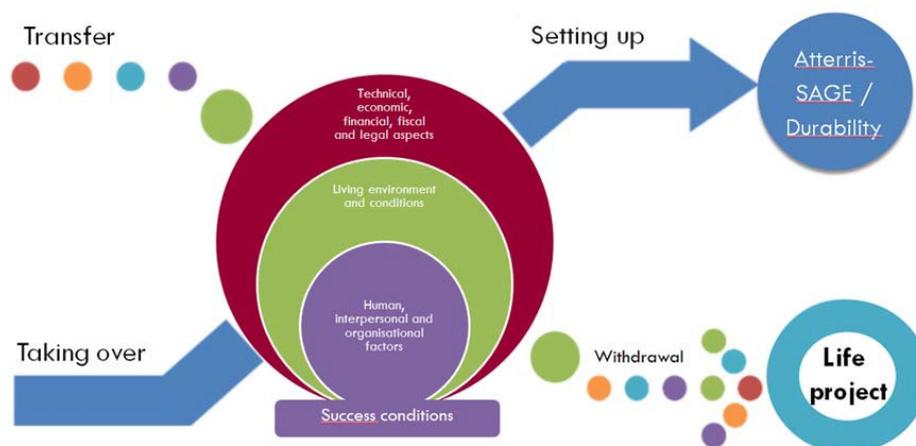
farm and to CAD\$50,000 (€35,200 and US\$37,500) per farm for a better transfer planning. If 100 farms could be saved from dismantling and another 100 other farms could profit from the better planning of transfer, the benefit could be estimated to close to CAD\$12 million ((€8.45 million and US\$9 million).

Further expected impacts especially include:

- Candidates being better prepared for the initial setting up and greater durability of setting-up projects;
- Promotion of the advisory service offer in place through the broadcasting of information related to specialized resources;
- Dynamic occupancy of the agricultural territory by young farm families;
- Development of a common exchange and knowledge transfer place on non-family transfer, and better collaboration and partnership between the different experts;
- Better knowledge linked to setting up outside of the family context and non-family transfers, based on statistics related to the progression of matches and transfers;
- Creation of links between generations through mentoring and knowledge transfer;
- Promotion and creation of wealth from unused assets;
- Youth retention in regions and attraction of young farmers in some territories;
- Contribution to the development of the region simultaneously at the economic, social, demographic and landscape levels.

Main success key factors :

## Farm transfer: Process and conditions for success



Many key elements contribute to the success of the different stages of transferring the farm business from the prospective farmer, who is looking for a farm business and does not have farming relatives, to the farm transferor who does not have any children willing to take on the farm. Here are the main key elements to consider:

## **Economic aspect**

The efficiency and the profitability of the farm business strengthen the buying capacity and the interest expressed by the young farmers towards the farm. The financial capacity of the prospective farmer also has an impact on the process. For many transferors, the capacity of the prospective farmer to save money for a down payment constitutes a good indicator showing how serious the candidate is.

### ✓ Regular and frequent communication

Communicate a clear perspective on the future of the business to the prospective farmer and listen to the perspective of the successor = facilitating factors

For young farmers, it is important to believe in the transferor's willingness to transfer and that this willingness is expressed in concrete actions: for example by producing as soon as possible a transfer plan, sharing financial statements and information on the current or coming investment decisions, and by considering the young farmer's aspirations.

### ✓ Good work organisation

A good organisation of work presents an asset for new players arriving within the business, meaning that the sharing of tasks is well defined as well as decision making and the level of responsibilities held by each player.

### ✓ Surrounding environment of the farm:

This item is important and contributes to ease the setting up of prospective farmers. Example: the availability of a residence or of a living accommodation in the surrounding of the farm or close by will facilitate greatly the arrival and the integration of the young farmer.

### ✓ Transferor's capacity to delegate and to do teamwork

### ✓ Capacity of prospective farmers who are couples to do teamwork

### ✓ Interest of the transferor pursuing his or hers involvement in the business

### ✓ Support network: stakeholders and experts (advisor for young farmers, management advisor, financial advisers), family, friends

### ✓ Qualification of the young farmer

### ✓ Interpersonal skills: capacity of the successor to feed a positive relationship with the other person (respect, honesty, confidence)

## Main success key factors

Transferor	Farm Successor
Technical-economic performance of farm business	
Financial capacity of the Farm Successor	
Financial compromises of the transferor	
Shared vision and regular communication	
Appropriate support network	
Qualified and competent farm successor	
Interpersonal skills of the young farmer and of the transferor	
Sharing responsibilities and decisions	Support and follow-up of transferor
Transferor capacity to delegate	Quality of life, services and surrounding infrastructures
	Transfer scenario chosen
	Real will of the transferor to transfer the business

These results are from the research done by Lucie Veillette (CISA) who is working in the project *ARTERRE*.

### Conclusion

The context of farm transfers has changed over recent years. The new reality commands new operating methods, new expertise and new tools.

It was therefore necessary to reinforce the means and conditions for transferors and interested young farmers in such a way they can meet each other more efficiently, develop better business conditions and succeed to keep the farm businesses in place. This is an issue with social, economic, environmental and landscape impacts.

In Quebec, the concerned organizations have already implemented some structures to face this new reality and are now working with and adapting to the new service: support and networking services with the Land and Farm Business Bank. At least 15 regional communities have access to the service, a number that should increase fairly quickly.

With these innovative services, the Quebec agriculture sector strives to answer this new need in terms of farm transfer using the resources already in place and protecting the future of operating farms. This will allow going beyond the traditional pattern of the farm transfer within the family context.

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