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An **Income Stability Supplement** for New Farmers: Pilot Project Proposal

National Farmers Union

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To: Minister of Agriculture and Agri-Food,
CC: Minister of Families, Children and Social Development, Minister of Employment, Workforce Development and Labour, Minister of Health, Minister of Environment and Climate Change

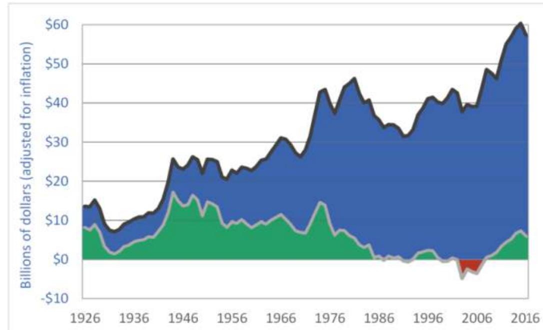
Summary

- Farmers in Canada are suffering from **low net farm income, high land prices, and an aging farm population**. There is a lack of new and young farmers, and very few existing farms have succession plans. This is creating a loss of skills, health problems in rural communities, and a risk to Canada's food sovereignty.
- To address these challenges, we propose a **Income Stability Supplement** (ISS) for new farmers, similar to the Guaranteed Income Supplement for seniors.
- We suggest a three year pilot, at a **total cost of $20 million**, and encompassing **250 participants**. This project would take place in specific regions such as **British Columbia**, **Ontario**, **Saskatchewan**, and **Prince Edward Island**.
- This project would include joint participation from the **National Farmers Union**, which would use its extensive knowledge of agriculture in Canada to assist with program design, implementation, and rigorous evaluation.
- **Project outcomes would include** improved income security for new farmers, an increased number of young farmers, improved rural economies, enhanced farmer health, and more equal representation of women and racialized farmers.

Background

Farm Income

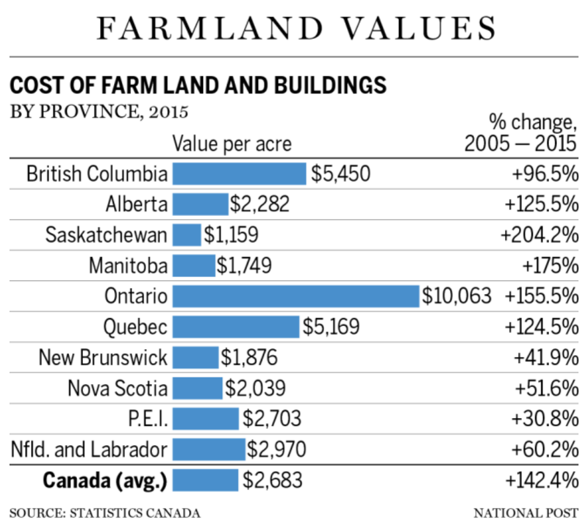
Canada's farmers and rural communities are suffering from a triad of low net farm income, high land prices, and an aging farm population.



While gross farm income continues to rise (in part because of farm consolidation), **net farm income has stagnated** and occasionally dips below Depression-era levels. (See graph: gross income in blue vs net income in green.)

Low net incomes have combined with rising farm costs to create record levels of farm debt (now exceeding $90 billion).

Access to Land



FARMLAND VALUES

COST OF FARM LAND AND BUILDINGS
BY PROVINCE, 2015

	Value per acre	% change, 2005 – 2015
British Columbia	$5,450	+96.5%
Alberta	$2,282	+125.5%
Saskatchewan	$1,159	+204.2%
Manitoba	$1,749	+175%
Ontario	$10,063	+155.5%
Quebec	$5,169	+124.5%
New Brunswick	$1,876	+41.9%
Nova Scotia	$2,039	+51.6%
P.E.I.	$2,703	+30.8%
Nfld. and Labrador	$2,970	+60.2%
Canada (avg.)	$2,683	+142.4%

SOURCE: STATISTICS CANADA NATIONAL POST

The biggest single cost for new farmers across most of Canada is the rising price of farmland. The price of farmland in Saskatchewan doubled between 2005 and 2010. In Quebec and British Columbia an acre of farmland typically costs more than $5000, and in Ontario more than $10,000.

Farmland prices in Atlantic Canada are highest in Prince Edward Island and Newfoundland and Labrador.

Lack of income stability is challenging for all farmers. If combined with very high initial debt, lack of income stability can be catastrophic for new farmers.

Farmer Health and Mental Health

Farmers in Canada have higher levels of stress, anxiety, and depression than the Canadian average. Farmers in many developed countries have much higher suicide rates than other occupations.

Canadian farmers also rate worse on key mental health indicators compared with farmers in other developed countries like the US and the UK. Most health indicators in Canada are worse in rural areas.

Existing income support programs and Basic Income experiments (including GIS, OAS, and the Mincome experiment) have resulted in consistent improvements for health and mental health metrics, including lower rates of hospitalization and fewer visits to emergency departments.

Overlapping Barriers

These factors prevent new and young farmers from entering the industry; the average age of farmers in Canada has increased to 55. According to the 2016 Census of Agriculture ninety-two percent of farmers have no written succession plan, and the rising average age of farmers means we can expect a wave of farmer retirement in the next decade.

Statistics Canada farm operator data also indicates a significant gender disparity for farm income. Media reports point to rising interest among women in entering agriculture; however, these same media reports note that women face different hurdles or barriers to entry that may require innovative solutions to address.

This is a critical moment to address profound challenges for farmers in Canada. A lack of new farmers means a loss of skills, an obstacle to innovation, and a threat to Canada’s food sovereignty as foreign landowners and investment companies expand into Canada’s farming landscape.

Our Proposed Solution: An Income Supplement for Farmers

An **Income Stability Supplement** program for new farmers could help address these problems. Income stability is the single biggest challenge to new farmers as they start their new business or take over an existing farm operation.

An Income Stability Supplement (ISS) would allow younger people to commit to farming in a manner that bridges the seasonal income gap, and reverse the trend of aging farmers. An ISS would also directly address the problem of income stability, and with a guarantee of stable income year round farmers would be more able to invest in their own infrastructure, improve their production equipment and practices, and potentially hire staff and create jobs. This supplement could also allow for farmers to make more ecological improvements to their farms and production methods, to improve biodiversity and fight climate change.

While an income supplement for new farmers would not directly address high farmland prices, it would make it easier for young and new farmers to take on the risk of farmland ownership, and possibly slow the rate at which farmland is being bought by foreign investors. It would also help new farmers to develop viable businesses, and the guarantee of consistent cash flow would encourage them to spend in their communities, circulating cash through the local rural economy.

In the future, an expanded income supplement for all farmers could also reduce pressure on older farmers to sell their land–since their biggest retirement asset is often their land–and open up new avenues for farm succession with income support for both new and retiring farmers.

Positive Impacts for Multiple Ministries

An Income Stability Supplement for farmers would address the mandate of several Federal Ministers.

The mandate letter for the **Minister of Agriculture and Agri-Food** asks the Minister to "assess whether the suite of farm income safety nets meets the needs of Canadian farmers when they are faced with serious challenges beyond their control." Decades of research by the National Farmers Union shows that existing farm safety nets are inadequate, as these programs have not reduced the rate at which we are losing farmers. And there are many new and worsening challenges to income stability for farmers, including climate change, rising costs, and changing international trade agreements. Now is the time to take action on farm income stability.

The **Minister of Employment, Workforce Development and Labour** has been mandated to address poverty reduction, reduce the wage gap, and improve the representation of women in areas they're traditionally under-represented. An Income Stability Supplement for new farmers would directly address issues of poverty in rural communities.

We also know that women are under-represented in agriculture, and that many new and aspiring farmers are women. Women in agriculture, whether from a farming or urban background, often face barriers including a lack of access to traditional social networks of support and knowledge transfer. An ISS can help correct gender inequality amongst farmers by providing support while new networks are formed.

Several other Ministers would see their mandates addressed by an income supplement for new farmers, including the **Minister of Families, Children and Social Development** (who is tasked with poverty reduction), the **Minister of Health**, and the **Minister of Environment and Climate Change** (since fighting climate change requires investment in improved management practices and farm infrastructure).

Target Participants

We suggest that the target participants should be **new farmers, specifically those who have been farming for 2-10 years.**

We know from our research and anecdotally that the biggest challenges for new farmers happen about two to ten years into their career.

Brand new farmers (less than two years) may have access to savings or to other start-up funding for businesses. However, by the third season many have used up their start-up capital and may feel physically and mentally exhausted, but their business does not yet provide a reliable income.

After ten years, most new farmers have accumulated the equipment, infrastructure, and experience to create a more stable income (though the economic context even for experienced farmers is very challenging.)

Therefore, we propose that the pilot project focus on new farmers with two to ten years of experience. Participating farmers would also have to provide proof of a business plan by the end of the first year of the pilot project.

We suggest a target of **approximately 250 participants** to receive payments, alongside an additional control group.

While many participants will be young, we would like to target *new* farmers in general rather than *young* farmers specifically. This will allow us to include second career farmers, whose skill sets may offer a valuable contribution to vibrant rural communities, as well as new Canadians (including refugees with an agricultural background and knowledge of World Foods).

We strongly recommend that the project be designed to encourage participation from the following designated groups: women, visible minorities, Indigenous peoples and persons with disabilities.

Target Regions

We suggest the pilot project take place in four regions across Canada: *British Columbia, Ontario, Saskatchewan, and Prince Edward Island*. Access to land required for a typical farm operation is a barrier for new farmers. This pilot project, focused on specific regions within these provinces could provide valuable data on both individual and community-level impact, to support development of a nationwide program accessible to all new farmers in the future.

Specific regions can be identified in each of these provinces which are critically affected by rising farmland prices and related barriers to new farmers.

Metrics and Desired Outcomes

We suggest these key outcomes to improve, track, and analyze:

- Income stability (especially for farmers experiencing health problems, extreme weather, or climate change).
- Strength of social safety net in rural areas.
- Vitality of rural economies.
- Rural job creation.
- Health and wellbeing of farmers (and rural people).
- Farm success and sustainability.
- Business plan creation and implementation.
- Gender equality and representation of women in farming.
- Representation of racialized people and new Canadians in farming.
- Farm infrastructure improvements (vs. debt or lack of maintenance).

Budget and Payment Amounts

Our total proposed budget for pilot project is **$20 million**. This includes $8 million for project development and design, administration, outreach, data gathering, analysis. We would allocate $12 million for direct payments, possibly distributed via the Canadian Agricultural Partnership (CAP) as a federally-administered investment in the future of agriculture.

We suggest paying a base amount at 90% of the Low Income Cut-Off, less 50% of any net farm income from the market.

For example, the Low Income Cut-Off for a single person in 2017 is $24,600; the program goals could be achieved through a program design that takes into account that 90% our base amount would be **$22,140, minus 50% of net farm income from the market.**

Consider these examples:

- If the farmer's net income for a year was zero dollars or a loss, they would receive an Income Stability Supplement of $22,140.
- If the farmer's net income was $20,000, their ISS payment would be $12,140.
- If the farmers net income is $30,000, their payment would be $7,140
- If the farmer made $44,280 or more they would receive no payment.

This budget would allow for $4 million in payments each year over a three year period. With an expected average payment of less than $16,000 per participant, this would allow for at least 250 participants to receive payments. We suggest that funding be cumulative so that any shortfall in initial uptake can be offset by increased uptake in subsequent years of the pilot project.

Further discussion and program design will be required to balance the need for a predictable monthly income and the risk of overpayment or underpayment, perhaps through the implementation of an annual reconciliation process based on income tax filings. The base amount at 90% of LICO is similar to what a full-time minimum wage worker would make each year in Quebec or PEI. (Working 2000 hours at $11.25 would gross $22,500.) However, farmers work more than 40 hours a week, and new farmers may work well over 3000 hours per year.

The proposed based amount is higher than that used in the current Ontario Basic Income Pilot. This is in part because new farmers often have significant expenses that many urban dwellers do not, including the repair of decrepit infrastructure, the construction of new infrastructure, farm equipment, and higher costs for transportation.