Agricultural trends in Canada:

Cultivating insurance opportunities

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A growing industry

Agriculture is an industry that continues to develop and have a positive impact on the Canadian economy.

According to the 2016 Census of Agriculture, the farm industry generated approximately $69.4 billion in sales.[1] There are currently over 190,000 farms[2] across the country, ranging from family-owned, to sole proprietorships, to corporate-owned farming operations. While the overall number of farms is down by 5.9% since 2011[3], there is consistent growth in agriculture, specifically due to larger operations and advanced technology.

As agriculture trends evolve, there are several key factors affecting growth trends:

- increasing average age of farmers;
- changes in use of arable land;
- care for equipment and buildings.

Canadian brokers have an important role to play by keeping up to date on the trends and opportunities of both traditional and non-traditional farming in their local area, so that they may help customers navigate the competitive market and identify the right insurance coverage for their farming business.

Farming Demographics

As urban areas continue to develop, more members of generations Y and Z are moving away from rural towns to find opportunities in the city. This has resulted in an increased proportion of farmers over the age of 50. The 2016 Census of Agriculture shows that the average age of a Canadian farmer is 55, up from 54 in 2011.[4] The census also determined that farmers aged 55-59 make up the largest group in the farming industry. With a continuous rise in aging farmers, there are a few concerns that can significantly impact the future of farming.

One concern for aging farmers in Canada is their lack of succession and retirement planning. Across the country, an overwhelming 92% of farmers do not have a written succession plan in place[5]. With no official succession plan, families may sell off their farming operations as no one is next in line to take over upon the retirement or passing of the current generation.

This further provides opportunities for large corporations to acquire farms and move away from the family-owned model. Studies show that there is a consistent trend of larger corporations purchasing a farm once an aging farmer can no longer manage their operations, making it challenging for young new farmers to own land. As of 2016, incorporation in farming operations increased to 25.1% from 19.8% in 2011[6].

Brokers who currently concentrate on the family type farm operations may consider expanding their focus to larger, diverse commercial farming operations to continue meeting the needs of their farming customers.

Aging farmers are also making the decision to lease their land. Although there are many benefits to leasing, such as shared farm management and retirement income, leasing land also creates potential liability issues. There are professional consultants available to guide farmers with regard to drawing up a legal agreement so they may confidently lease their land and prepare for the future, without the added stress of liability concerns.

Changes in the use of arable Land

The passing of farms to the next generation has resulted in some big changes to the use of arable land. In addition to farmers introducing newer crops such as lentils, some traditional crops have also seen a large increase, such as soybean production, which has doubled to 5.6 million acres in the last 15 years.[7]

One of the main reasons for the surge in soy production is the increased popularity of plant-based diets. A 2018 study by Dalhousie University found that approximately 6.4 million Canadians prefer diets that reduce or eliminate meat.[8] Soybean is one of the leading crops used to create dairy and meat alternatives such as soy milk, tofu, simulated meat and more. Soybean is also important to the future of sustainable agriculture in Canada, due to its ability to produce its own nitrogen during its growing season.[9]

Another current trend is the direct sale of products from farms, including internet sales. This includes retail sale of fruits, vegetables, meat and other types of products directly from the farm. A pandemic situation can boost this trend, as many customers choose to buy directly from farms to avoid busy grocery stores or a lack of product availability in the store.

In addition to the products being offered, many farms also provide activities on the premises, which is becoming known as agriculture tourism. Per Ontario Farm Fresh Marketing Association stats, income for these types of farms have grown by 45% from 2008 to 2016.[10]

Different activities being offered by farms pose additional liability exposures that present coverage opportunities, such as increased premises liability, products liability, and possibly advertising liability. And, some higher risk accounts may need to be placed with a non-standard market. Furthermore, there is opportunity to establish sound risk management strategies to minimize their liability exposure. Brokers may be asked to provide expert advice and guidance in these cases, and be called on to recommend insurance coverage solutions for these additional risks.

Farm Buildings and Equipment

There have been significant changes to the type and use of farm equipment and outbuildings in the past 25 years, which has led to additional challenges when it comes to selecting the right insurance coverage for farmers with a mix of old and new.

Older outbuildings on farms are often expensive to maintain and come with additional concerns such as electrical issues, water damage and overall deterioration. In some instances, these buildings may not be as well maintained or updated as farmers near retirement. Hence, some buildings could be at risk of collapse or may be at higher risk of fire. Many insurers will only cover older outbuildings on a “named perils” form with an “actual cash value” valuation, which means if there is a loss, it will be challenging for the farmer to replace the building. There may still be options to offer broad form and replacement cost; however, a broker would have to make a case to the insurer on a risk to risk basis for these older outbuildings.

A major farming equipment trend has been the increased adoption and dependency on equipment for efficiency and scale. Farmers are moving away from their aging farm equipment and purchasing advanced equipment to meet their growing demands. Technology such as precision farming, GPS, larger tractors and harvesters allow farmers to be more accurate and able to multitask in their duties. For example, farmers are starting to use newer technologies like drones to monitor crops.

Insuring newer equipment can result in higher costs, for example, farming equipment is often shipped from the United States so the Canadian value fluctuates with the Canadian dollar. Equipment insurance rates are also increasing due to the severity of losses they can sustain and the costs of replacement. Brokers familiar with their customers’ latest equipment trends will be well-positioned to guide them in their insurance choices.

Summary

Agriculture is an industry still going strong as it continues to evolve across Canada. The key trends impacting the future of farming can provide brokers with on-going opportunities to engage with their customers and introduce solutions to help them secure the future of their farm business.

In our next edition, we will explore the recent trend of vertical farming, which refers to food production in vertical spaces such as buildings, containers, and warehouses.

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