Alternative pathways to farm business ownership beyond inheritance

An Open Food Network research report for Agriculture Victoria

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Executive summary

Becoming a farm business owner is an increasingly unattainable goal for many young farmers, in particular those who are new entrants to the farming sector. Increasing land prices are inhibiting land access, as is a lack of capital/access to finance. For many Victorian farmers, educational and professional trajectories are failing to facilitate a pathway or skill development needed to own a farm business.

This research has examined the question of what alternative pathways exist to farm business ownership beyond inheritance of land. We have looked at how a number of models facilitate pathways to farm business ownership, the current context and barriers and enablers to the model being implemented, and what needs to change to make each model more effective.

We have highlighted a number of models that address these key challenges to farm business ownership:

	Land affordability	**Capital/ finance**	**Technical expertise**	**Access to land opportunities**	**Education/ training/ skills**
Leasing land	Y	Y	In some cases	Y	In some cases
Share-farming		Y	In some cases		In many cases
Co-operatives	Y		In many cases	Y	In many cases
Trusts & covenants	Y	In some cases	In some cases	Y	
Enterprise support		Y	Y	In some cases	Y

In order to address the barriers and increase the enabling factors for uptake for each of these models, we recommend the following actions:

Lease land

- Encourage greater security for leasing to new farmers by offering incentives for longer term leases.
- Make it easier for farmers to find lease land by facilitating connections and investing in matching lessees and lessors to encourage access to leased land.

- Support uptake of lease land by facilitating and/or providing access to legal and financial advice to encourage land-owners to offer, and new farmers to take up, leases which are fair and sustainable for both parties.

- While there is only a comparatively small amount of public land that's potentially available for farming, successful international examples suggest that it's worth pursuing greater understanding of how this land can facilitate farm business ownership skill development pathways.

Share-farming

- Undertake outreach, information sharing and promotion of share-farming to ageing farmers as an option for succession planning or potential exit pathway with the opportunity for partnering with existing organisations already doing this work.

- Support provision of technical advice and examples of share-farming arrangements for young farmers and how these may be applied across different agricultural industries.

- Enable relationship building and networking opportunities for young farmers as part of the facilitation process of share-farming matchmaking.

- Ensure farmers taking non-traditional pathways to farm business ownership, such as share- and tenant farmers, are eligible for agricultural supports that are available to land-owning farmers.

- Explore mechanisms that support the promotion and sharing of equity partnership opportunities for entrant farmers across all sectors, that provide equity building options and capacity.

Co-operatives

- Support a resources and knowledge sharing program to harness the enthusiasm generated by successful co-operatives and provide relational mechanisms for exiting farmers to learn about this model.

- Facilitate context-specific training & multi-year implementation support for co-operatives that builds on previous successful models such as the Farming Together program.

- Ensure co-operatives are eligible for supports such as subsidies and grants regardless of whether the co-operatives have distributing or non-distributing governance structures.

Enabling philanthropic, impact and/or public investment in land to support new farmers

- Fund action research and support to address the complexity and barriers to land trust implementation in Victoria that identifies current/potential land trust investment projects for targeted public funding opportunities with the establishment of an expert panel and shared learning outcomes.

- Explore the role of government at State and local levels in supporting land trust implementation in Victoria in conjunction with the establishment of a working group that can assist with assessing reform options such as planning legislation, finance backing and more.

- Incentivise agricultural use covenant agreements to encourage uptake in Victoria in partnership with Trust for Nature, such as development of a funding stream that could compensate land-owners that enter covenant agreements with public good outcomes.

- Support a resource and knowledge sharing program within the farming community about covenants.

Enterprise Support for Supported Transition and Entry

- Tailor and extend Agriculture Victoria's farm management existing support programs to facilitate pathways to new farm business ownership for non land-holders to enable greater understanding of models, mechanisms and opportunities, and where possible, build capacity for organisations already providing supports in this space.

- Partner with providers that are already delivering outcomes that facilitate farm business ownership skills and peer learning networks by bolstering capacity and funding pilot projects plus evaluation of programs to determine impact.

- Improve the equity and diversity of the next generation of farmers by providing livelihood support to enable meaningful employment pathways and on-farm knowledge transfer through farm apprenticeships and mentoring.

- Build on existing business support packages, such as 'Boost your business', to provide specialist, accessible support for young farmer businesses.

Cross cutting recommendations

- Take a national leadership role in addressing structural barriers by policy commitment and inquiry to collaborative short and medium term policy options that enable greater access to farm business ownership for farm entrants.

- Review options and thresholds that facilitate access to finance for entrant farmers, across all sectors and scales and where appropriate trial and promote models by engaging service providers that are already working to address the lack of equity as the key barrier to entrant farmers accessing finance.

- Assess policy opportunities for tax breaks, such as income tax and stamp duty tax that address the reality of entrant farmers being 'part-time farmers' due to needing off-farm income to support their business start-up and establishment phase but avoiding policy reform that may create perverse outcomes.

- Continue building on Victoria's position as leading State for small scale farming by ensuring that the Agriculture Victoria Small-scale and Craft program identifies opportunities to target and support entrant farmers and new farm business ownership.

- Improve engagement with more young farmers and their needs across all sectors by broadening scope of Young Farmer Advisory Council role in engagement and also working with partners that already have extensive networks.

- Consultation processes are required for scale-appropriate regulation, particularly with consideration to the small scale farming sector as entrant farmers are likely to begin operating at smaller scales, particularly as non land-owners.

- Explore role of government in assisting guarantee of loans for land purchase or investment in farming enterprises that draws on first homebuyer scheme model and close economic modelling that would avoid perverse outcomes.

- Change the definition of new and young farmers to increase access to supports by raising the eligible age to 40 years and also recognition of part-time participation in farming businesses.

- Enable greater long-term housing provision to facilitate shared use land across all scales by incentivising use of existing second dwellings for farmer housing and investing in appropriate development of housing on farmed land.

- Extend capacity and marketing of Agriculture Victoria opportunities to increase accessibility and reach additional cohorts that can provide significant benefit from existing assets and programs.

- Continue and expand the program stream supporting young farmers into farm business ownership pathways including increased marketing and media exposure and involvement of the Young Farmer Advisory Council in shaping program development.

This project and report also make clear that there is an incredible level of expertise and passion for driving this change in Victoria. The strong leadership demonstrated by government in supporting the Young Farmers program, and commissioning pieces of work such as this, is matched by an ecosystem of service providers, experts, and farmers - young and not so young - all keen to participate in new solutions.

Introduction

Becoming a farm business owner is an increasingly unattainable goal for many young farmers, in particular those who are new entrants to the farming sector. Increasing land prices are inhibiting land access, while for many Victorian farmers, educational and professional trajectories are failing to facilitate a pathway to owning a farm business.

The increasing farmland prices relative to productive value are not unique to Victoria. The median price per hectare of farmland increased 18.4% across Australia last year and this is also an issue internationally.[1] The issue of farmland prices combined with other converging barriers means it is very difficult for new farmers to get a foot in the door to farm business ownership, particularly if they do not come from a farming family with land or have access to large amounts of capital from other means. The precipitous increase in farmland prices is related to historically low cost of debt over a sustained period, strong commodity prices coupled with favourable seasons to boost farmer confidence and capital to invest,[2] and loss of productive land to other land uses (predominantly development). Relatedly there is a lack of young people coming into the sector. For example, although agriculture graduates have increased slowly to 2019 (823) it is still less than half what the sector needs.[3]

Aspiring farmers are also a very diverse group, from professionals in their forties with capital from other careers to very small-scale organic market gardeners in their twenties with little capital.[4] There are different barriers and opportunities across different scales and sectors. However, there is a strong trend for new and aspiring farmers not to have the prospect of inheriting land and to need to develop skills and experience with agricultural enterprises. This can be for a variety of reasons, some specific to first-generation farmers and others common across farming.

This research has examined the question of what alternative pathways exist to farm business ownership beyond inheritance of land. This report includes a summary of findings, and recommendation for four preferred models and one model-enabler to progress this issue in Victoria. For each of the models, we have looked at how they can facilitate pathways to farm business ownership, the current context and barriers and enablers to the model being implemented, and what needs to change to make this model more effective. We have also

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[1] Elders as reported in Weekly Times 27/4/22 pg 4 "Farm-start fizzer as few young people seek aid".
[2] For more, see: https://www.ruralbank.com.au/siteassets/knowledgeandinsights/publications/farmlandvalues/national/afv-national-2021.pdf
[3] For more, see: https://www.agrifutures.com.au/product/agrifutures-australia-annual-report-2020-2021/
[4] Newsome, L. (2021). Disrupted gender roles in Australian agriculture: first generation female farmers' construction of farming identity. Agriculture and Human Values, 38(3), 803-814.

made a number of cross-cutting recommendations that sit either alongside all of these models or outside of these models.

Definition of a young/new farmer

Definitions of who is considered to be a ‘young farmer’ vary within Australia and internationally. In the UK, EU, US and Canada, supports are available in some cases for ‘new farmers’ in their first 6-10 years of farming, and in others for ‘young farmers’, for which the age threshold varies from 35 to 41. Age thresholds for ‘young farmer’ support in Australia can likewise vary from 35-40.

For the purpose of this report, a new entrant farmer is a person of any age who is starting farming for the first time. Where there is a specific reference to young entrants, we consider anybody under the age of 40 to be a young farmer.

Methodology

We delivered this project using a mixed methods approach. This included:

- Systematic review of grey and academic literature to uncover local and global examples of pathways to agricultural business ownership untied to land
- Systematic review of grey and academic literature to uncover current blockers and enablers for new models, including technical, financial, legislative and regulatory blockers and enablers
- Appreciative inquiry semi-structured interviews with successful examples of those delivering new models including identification of the technical, financial, legislative and regulatory enablers of their work
- Consultation and interviews with the Young Farmers Advisory Council to identify barriers to business ownership and examples of successful alternative pathways from their lived experiences
- Interviews with farmers seeking exit pathways from farming
- Consultation with a number of expert service providers operating in this space

Due to the project timeline, a purposive sampling approach[5] was adopted to ensure that the stakeholder participants were representing a diverse range of scales and sectors within agriculture. We also sought input from members of Agriculture Victoria's Young Farmers Advisory Council and Young Farmer Network facebook group. The focus was to engage with stakeholders that had started a farm business via a pathway outside of inheritance to understand the economic, social and environmental drivers that may have influenced their success.

In total, 19 stakeholders participated in semi-structured interviews. These included new entrants, established farmers, exiting farmers, academics, advisors and support service providers. Farming sectors represented included dairy, wool, horticulture, pork and poultry meat and egg production, broadacre and the small-scale farming sector.

All interviews were conducted by phone or internet call to maximise the number of participants engaged across a wide geographical reach while minimising impacts of COVID-19 on delivery timelines and ensuring safety of team members and research participants.

Barriers and Enablers of farm business ownership

Barriers to farm business ownership include land affordability and a lack of capital/access to finance. Improved access to technical expertise for running businesses and developing farming and business skills is an enabling factor in becoming a farm business owner.

There is a spectrum of young and new farmers that are challenged by varying barriers to farm business ownership. For example, first generation farmers that have minimum to no equity or land access experience hardship at the start-up, entry level through to farmers that have been managing their family business for over a decade that are experiencing difficulties of lack of equity for loan approvals to aid business succession.

Land affordability

Strong competition for land from both agricultural and non-agricultural use continues to impact land affordability for young farmers. This structural barrier is recognised at a global and local level. Non-agricultural demand for land and resources, including contentious issues such as the 'water mining' for bottled water[6], has been impacting rural communities across Australia. In Australia, the rise in farmland values particularly over the past five years has meant that it is near, if not impossible for a new business with minimal capital to purchase land for agricultural purposes. This has been particularly evident in peri-urban areas and

[5] For more, see: https://research-methodology.net/sampling-in-primary-data-collection/purposive-sampling/
[6] For more, see: https://www.theguardian.com/environment/2019/may/01/greed-took-over-the-farmers-fighting-bottled-water-giants-for-their-water

regions with amenity landscapes such as Coastal, Central and Northeast Victoria[7] however it continues to impact across the State[8]. To demonstrate the extent of change within a decade: one research participant (a cropping farmer from the Mallee) paid $420 per hectare just over a decade ago for 320 hectares, this land is now worth $2500 per hectare. At the time, he borrowed $138,000 from Rural Bank. If a 22-year-old were now trying to borrow $800,000 from a bank with little to no equity, there would be no chance of purchasing this land.[9]

The 2021 Australian Farmland Values Report by Rural Bank highlighted that "the median price per hectare of Australian farmland increased by 12.9 per cent in 2020 to $5,907 per hectare" with land being tightly held, creating strong competition by larger farming operations or businesses further afield.[10] The disruption caused by foreign investment and purchasing of land to local buyers' ability to purchase land is "more of a factor than people choose to acknowledge" according to one interviewee.[11]

High land values were consistently referenced by stakeholders interviewed as being the most significant barrier for farm business ownership with the close interrelatedness of increasing challenges in obtaining finance, and adequate finance. As stated by a young wool producer based in Western Victoria: "If you were starting off now, and you had nothing - it would be bloody hard, virtually impossible to find a way in. You could create a lot of cash, but if you haven't got equity, no one wants to know you".[12]

As there is strong demand for land from existing farm businesses, often seeking to expand, the incentives for farmers looking to exit and bring on the next generation of new farm business owners is minimal.

This report acknowledges that the current and potential models presented as alternative pathways to farm business ownership do not provide structural solutions to the issue of farmland values. However, we discuss models that provide a toolbox of options to assist new entrants in pathways to farm business ownership in this challenging context.

We also acknowledge that for many young farmers who have already entered farm businesses with land ownership, rising property and/or farmland prices provide a significant benefit. Paying attention to the different segments of "young farmers" and "new entrants"

[7] For more, see: https://www.afr.com/property/residential/freedom-frenzy-drives-record-victorian-regional-price-rises-20220125-p59r48
[8] For more, see: https://www.abc.net.au/news/rural/2022-03-24/farmland-prices-skyrocketing-in-western-victoria/100931690
[9] Cropping farmer, research interview
[10] For more, see: https://www.ruralbank.com.au/siteassets/knowledgeandinsights/publications/farmlandvalues/national/afv-national-2021.pdf
[11] Agtech expert, research interview
[12] Wool producer, research interview

and the diversity of interests is important in developing fair and targeted policy pathways without perverse or unintended outcomes.

Lack of capital and access to finance

Entrant farmers need access to finance for working capital, purchase of inputs, and operating costs in the establishment stage of a farming enterprise. Access to capital is a known barrier for young farmers, as reported by a 2021 survey of 121 aspirational farmers that found sufficient capital to be the main barrier to farm business ownership.[13] The barrier of financial access is also directly linked to the issue of land ownership, as many farmers have to finance their farms through debt they incur against their land.[14] Even with extensive farming experience, financial institutions often deem young farmers too high risk for loan approvals due to a lack of equity: "you might have the best farming skills and business skills but at the end of the day, the banks aren't going to hand over money unless you've got something big to back you".[15] The approval process is also a barrier for young farmers to obtain loans and financing with young farmer interviewee's noting the process is longer and more difficult since the 2019 report by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. This speaks to anticipated outcomes mady by academics that as a result of the Royal Commission, it would be "likely that banks and regulators will tighten the risk parameters on farm lending and make it harder for smaller family farmers to access finance".[16]

In the irrigated farming catchments of Northern Victoria, the separation of water rights from the land has created another economic disincentive to farm business ownership through higher costs to obtain water.[17]

The high costs to start farming when compared to income generated act as an economic disincentive and barrier for entrant farmers. This is compounded by the minimal support provided by the government to the Australian agricultural sector when compared to the other 37 member countries of the Organisation for Economic Co-operation and Development (OECD). From 2018 - 2020, the average level of support (as a share of gross farm receipts) for Australia was 2.5% whereas the average for all other member countries was 15.1%.[18] Current

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[13] Massy, T. (2021). Regeneration, Growing New Farmers. Farmer Incubator and Young Farmers Connect. Retrieved from https://www.youngfarmersconnect.com/s/Regeneration_Digital_final_small.pdf
[14] Expert panel adviser, research review
[15] Pork producer, research interview
[16] For more, see: https://theconversation.com/royal-commission-shows-bank-lenders-dont-get-farming-and-rural-economies-pay-the-price-99086
[17] Adviser, research interview
[18] For more, see: https://www.awe.gov.au/abares/products/insights/snapshot-of-australian-agriculture-2022#australian-farmers-receive-low-levels-of-government-support

and proposed Federal supports such as the existing AgriStarter Loan scheme and the Coalition's recent $75million pledge to a Future Farmer Guarantee Scheme pilot[19] aim to improve access to capital for young farmers starting up or involved in succession. However the eligibility criteria and offers on hand were questioned by multiple stakeholders interviewed. This was strongly linked to the barriers of needing to have existing equity to be eligible[20] and the high value of farmland: "to buy a small farm you need millions - $3 million will get you about 300 acres around here so to save up a 40% deposit and have equity, it's a big game".[21]

"The Mallee is such a tightly held region, and blocks often get sold and bought outside of open markets and even if it does go out to open tender or auction, without a foothold in the land it's hard to get financial support from any bank without a huge deposit or unencumbered land to offset the loan. On top of that, the low rainfall zone is a difficult place to make a big return unless you're a damn resilient and innovative farmer".[22]

Access to technical expertise

Most young farmers have limited experience with banks or financial institutions and how to best navigate legal and regulatory frameworks. This can present a significant barrier to establishing a farm business. As flagged by one research interviewee, this barrier is exacerbated for those looking at alternative models and pathways to farm business ownership due to a lack of business specialists such as lawyers and accountants with this knowledge.[23] As demonstrated by the Harcourt Organic Farming Cooperative case study in this report, when the appropriate technical advice is available, this can be a significant enabler in providing alternative pathways to farm business ownership. In countries such as the US, publicly funded 'service centres'[24] with traditional extension officers are still very much a part of the agricultural landscape providing support to farmers and assisting in connecting to specialist or technical expertise. Whereas in Australia, since the 1990s, public interventions such as State-based extension services have been decommissioned in favour of private sector service provisions.[25] Farm business pathways are diverse and context specific, so the challenge is providing generalised resources backed up with a capability to provide

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[19] For more, see: https://www.abc.net.au/news/rural/2022-04-19/farmer-loan-guarantee-scheme-promised-by-coalition/100998512
[20] Orchardist, research interview
[21] Dairy share-farmer, research interview
[22] Cropping extension manager, research interview
[23] Adviser, research interview
[24] For more, see: https://www.farmers.gov/working-with-us/USDA-service-centers
[25] Hunt, W., Birch, C., Coutts, J., & Vanclay, F. (2012). The many turnings of agricultural extension in Australia. *The Journal of Agricultural Education and Extension*, 18(1), 9-26.

individualised, context specific advice.

Alternative land access opportunities

Entrant farmers are increasingly seeking land access models that provide an alternative pathway to farm business ownership, outside of land-ownership. The opportunity to bolster support for uptake of current models such as cooperatives, share-farming and land leasing can provide new and young farmers with the opportunity to build skills and equity to fastrack farm business ownership possibilities. These are models that are commonplace overseas across a range of sectors whereas in Australia for example, share-farming primarily occurs in the dairy industry. With structural barriers of land and capital access, these may be of growing pertinence to the Australian context as research also indicates that Australian farmers prefer semi-retirement and wish to remain on the land for income security.[26] As noted by one research interviewee who has established a lease agreement with another enterprise to farm on their land,[27] the opportunities and benefits of land sharing to the land-owner, such as passive income, should be promoted.

Industry and community networking is a critical factor to uncovering land sharing opportunities, as noted by one research interviewee: "if you're not getting out and about meeting people, you're not going to get in".[28] The importance of building trusted relationships between land-owners and farmers must be emphasised. It is widely recognised that breakdowns in communications and relationships between land-owner and farmer often lead to failed land sharing arrangements. Dedicated knowledge sharing and land linking programs that facilitate stakeholder relationships will help to strengthen the uptake of land sharing and alternative land access models. There also needs to be an acknowledgement of the asymmetry of power in these forms of land-sharing arrangements with the land-owner in most instances being in a position of less risk. Therefore specialised and technical advice on negotiating fair terms is imperative to addressing imbalances of power within an alternative land access arrangement.

One farm adviser interviewed strongly recommended that access to land beyond inheritance must be a 'curated and structured' program with incentives such as tax benefits to the land-owner, an extension officer to facilitate the relationship and a young farmer that has adequate skills.[29] This also intersects with the need for scale-appropriate and context specific technical advice.

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[26] Massy, T. (2021). Regeneration, Growing New Farmers. Farmer Incubator and Young Farmers Connect. Retrieved from https://www.youngfarmersconnect.com/s/Regeneration_Digital_final_small.pdf
[27] Egg producer, research interview
[28] Wool producer, research interview
[29] Adviser, research interview

Farming skills: education and training

There was a strong sentiment amongst stakeholders interviewed that upcoming farmers in Australia are likely to be first generation and needing to gain experience and skills, as “we've had a generation of farmers telling their children not to be a farmer”.[30] Therefore the need to improve agricultural education, particularly in course offerings in Higher Education, is paramount to encouraging people into the industry and supporting young farmers to progress to farm business ownership. There are a range of Institutes in Victoria such as Melbourne Polytechnic[31] and Kangan Institute[32] that provide Certificate 3 and 4 qualifications for agriculture. These types of courses focus on practical components of agriculture whereas the Bachelor and Masters higher education courses now tend to focus on the theoretical components of agriculture. Therefore, there is a significant gap in higher education for an integrated agricultural education. In countries such as the US and Europe, farmer incubator models exist that have staged programs in place to support a range of people on their farming entry, from the ‘agri-curious', those that have completed a TAFE course through to the entrepreneurial folk with no farming experience.[33] There are varying existing programs in Victoria such as Farmer Incubator and Cultivate Farms, however these programs are resource constrained and focus on specific parts of the farming and farm ownership journey - they do not aim to provide a one-stop solution for all young farmers' needs. This is emphasised by a participant comment that “the path from farm hand to farm owner is now a hell of a jump...the jump keeps getting bigger as small farms are disappearing”.[34] Another participant with over 25 years of farming experience in horticulture noted that farmers need at least two to three years of experience growing crops to gain the basic skills to know how to manage the inherent risks of farming and meet their market needs. Climate change impacts and variability are a huge deterrent for many sectors of agriculture, especially if a farmer is still grappling with start-up costs.[35]

As noted by an expert panel adviser, there is also tension with new farmers desiring different methods of farming practices and resistance from the existing farming community in supporting alternative farming approaches. This can create divergent farming communities and an isolating experience for the incoming generation of farmers.[36]

[30] Dairy share-farmer, research interview
[31] For more, see: https://www.melbournepolytechnic.edu.au/study/agriculture-and-land-management/agriculture/
[32] For more, see: https://www.kangan.edu.au/tafe-courses/certificate-iv-in-agriculture-3194
[33] Small scale farming expert, research interview
[34] Dairy share-farmer, research interview
[35] Market gardener, research interview
[36] Expert panel adviser, research review

Business skills: education and training

Comprehensive hands-on farm experience coupled with business management was referenced by the majority of research participants as "*you need both for farm ownership especially if you don't inherit land, [because] you need a good enough income for a large portion of your life to purchase land in first place and then the skills to turn it into functioning, viable business*".[37] One organic horticulture farmer told us "there are a truck tonne of good farm operators that haven't got entrepreneurial and business skills and will end up working for people their whole lives".[38] An industry adviser noted the lack of quality, comprehensive agricultural training opportunities leading to lack of supply of properly trained service providers to support new entrant farmers. One example given was the lack of next generation "landscape agronomists" who can assist those looking to establish new farming businesses to include a holistic approach to land management and access to ecosystem services related income streams.[39]

Lack of affordable housing

While not directly impacting business ownership, the issue of availability and affordability of housing for farmers is a key secondary barrier that affects all modes of alternative pathways to farm business ownership discussed in this report. Planning requirements and restrictions limit the development of additional housing on farms to accommodate land-sharing arrangements. Existing housing availability and affordability in farming areas and nearby regional townships is also increasingly recognised as a key barrier. Farmers are currently considering quite radical ideas to address the broader issue of farm accommodation. For example, during the consultation one farmer said they had been involved in a discussion with a group of farmers about funding a group housing area for new farmers to the area until they could find a house to buy or rent.[40] Others discussed the urgent need to return decommissioned farm cottages to use, in order to secure staff. The lack of affordable housing is further addressed in cross-cutting recommendations.

[37] Egg producer, research interview
[38] Organic horticulture producer, research interview
[39] Adviser, research interview
[40] Expert panel adviser, research review

Models that address the challenges raised

	Land affordability	Capital/ finance	Technical expertise	Access to land opportunities	Education/ training/ skills
Leasing land	Y	Y	In some cases	Y	In some cases
Share-farming		Y	In some cases*		In many cases
Co-operatives	Y		In many cases	Y	In many cases
Trusts & covenants	Y	In some cases	In some cases	Y	
Enterprise support		Y	Y	In some cases	Y

*The dairy industry, for example, is better at supporting this model than others.

Model : Direct Leasing of Public or Private Land

What this model is

Leasing between a private land-owner and an entrant farmer is a common pathway to entry for new farmers who have not inherited land, both in Australia and overseas, with growing numbers of leasing arrangements seen in Australia. Leasing of public land for food production is less common.

Several lease types can be used for farmland leases:

- Fixed cash lease - Rate of return: Lease price is calculated as a percentage of the land value, without reference to farm profitability. Challenges arise for entrant farmers if increasing land values and rates cause lease price increases to outpace farm profitability, making leasing by rate of return unviable for farming.
- Flexible cash lease - Percentage of expected return: Lease price is calculated on the forecast returns for the enterprise. For the lessee, this means that lease costs are linked to profitability, while the lessor takes a share of the risk and return on the lease.
- Crop or livestock share lease: a share lease takes an approach somewhat similar to a share-farming, in which the lessor may supply some production inputs and receive a share of profits.

- Ground lease: Lessee owns any improvements made to the property, which can be transferred or sold at the end of the lease.

Public land leases are guided by the Leasing policy for Victorian Crown Land (2018).[41] While not part of the public policy landscape in Australia, there are examples of dedicated public land for young farmers or new farm business entrants (for training; incubation or longer term use) internationally. For example, in the the UK, County Council farms are publicly owned 'starter farms' which have traditionally provided a pathway for new entrant farmers, with land usually offered on medium term leases to allow farm businesses to establish, while also incentivising established farmers to move on to longer-term land and allow other new entrants to start. County Council farm land is often leased in conjunction with 'incubator' activities such as training and development of shared infrastructure to support new farm businesses. In Wales, Powys County Farms Estate is a government organisation that provides new farmers with the opportunity to tender for lets of government owned land, totalling 140 holdings across 11200 acres.[42] This also provides an investment income for the Powys Council. This land ranges from two to 200 acres with each holding including a house and farm building infrastructure.[43] The model offers lets that are medium term to encourage farmers to progress to their own land once they have established their business. While such schemes can be affected by public budget pressures, they highlight the benefits of leasing of public land for new farmers.

How this model addresses the barriers and enablers experienced

Leasing land can be straightforward compared to other pathways to land access, and can enable entrant farmers to access land with low levels of risk and capital, while allowing land-holders to retain ownership. Leasing can also be used in conjunction with ownership - for example a grazing operation that owns a small "home block" with infrastructure that then leases land close by to make up the required scale.

Leasing land offers land-owners an option to reduce their enterprise size or the extent of their involvement with active farming while maintaining land-ownership. Leasing also enables owners to diversify activities on the land as a risk-management strategy, or to specialise in preferred activities while the lessee undertakes other specialisations on the farm.

In relation to public land in Victoria, crown land leasing policy is guided by principles to ensure "benefits to the public" and to "manage leased Crown land in an ecologically sustainable

[41] For more, see: https://www.forestsandreserves.vic.gov.au/__data/assets/pdf_file/0015/331503/Leasing-policy-for-Victorian-Crown-land-2018.pdf
[42] For more, see: https://www.facebook.com/Powys-County-Farms-Estate
[43] For more, see: https://en.powys.gov.uk/article/4959/County-Farms-to-Let

manner".[44] Mainstream agricultural businesses designed for private gain and agricultural output rather than ecological gains are obviously not consistent with this policy. However, there are emerging forms of agriculture at various scales that could provide a range of public and private gains including improvements to ecological function.[45] Due to land and resource requirements, small scale farming approaches may be most relevant such as no-till organic market gardens that use a small area of land and where case study examples have been shown to increase soil biodiversity and other biodiversity (pollinators) in surrounding ecosystems. Other examples might be using goat herds to control weeds like blackberries, particularly in riparian areas or using ecological grazing techniques to manage native grasslands for endangered species.

As the examples from the UK above demonstrate, leasing of public land for small scale food production could be done in an integrated model combined with incubation and capacity building programs.

Barriers and enablers of this model

Demand for farmland to lease often exceeds supply and leasing costs have risen with land values, presenting a greater challenge for entrant farmers. Leases may also often be offered through social and business networks rather than advertised more broadly, making access more difficult for new entrants.

Rising lease costs

Lease cost increases and rates can outpace farm profitability where land values are rising, particularly where there is competition from other land uses, such as in peri-urban areas. In Australia, lease prices in regional areas are becoming less affordable, with both rising land values and an increase in the percentage of land value reflected in lease prices.[46]

"Nowadays demand [for leasing land] is stronger so people are more inclined to go to 3 year terms and then put it back up to tender...in the past, you would go 3 years then another 3 years so the certainty and security of land access now is not there."[47]
The cropping farmer based in the Mallee region also stated that the level of competition for leasing land is also greater, making it difficult for someone "trying to get their first block together". This competition comes from well-established farms and people looking for land

[44]For more, see: https://www.forestsandreserves.vic.gov.au/__data/assets/pdf_file/0015/331503/Leasing-policy-for-Victorian-Crown-land-2018.pdf

[45] Adviser, research interview
[46] For more, see: https://www.farmtrials.com.au/trial/13872
[47] Cropping farmer, research interview

that may be situated up to 5 hours away - which “never used to happen in our area”. The repercussions of the Millennium Drought impact were noticed up until 5 or 6 years ago with land-owners preferring to lease to corporate farm businesses as it was deemed less risky and they were guaranteed to get paid even if it was a bad year - in comparison to smaller, family farming, local businesses. Due to increased confidence from good, successive harvests within the Mallee, land-owners are now favouring lease arrangements to ‘family farms’ or local businesses, rather than corporate farms.[48]

Increasing local government rates also increase lease costs where land-owners seek to recoup rates in the lease price[49].

One policy idea put forward in the consultation was for a consolidation of farm income offsets (similar to a Farm Management Deposit) to be used as a capital source to fund a shared equity scheme to purchase farm land to be leased to young farmers[50].

Lease terms

Longer term leases are likely to provide security for entrant farmers and encourage investment in infrastructure, land, and the enterprise, as short term leases can discourage the leasing farmer from making improvements.[51]

However, some land-owners and lessees can be reluctant to commit to a long-term lease with a party they do not know well, or to land they are unfamiliar with, so developing relationships and mutual understanding is necessary.

Some participants indicated that leasing terms are often too short for new entrants to invest in building soil function and equity within their farming business. In agroecological farming in particular, “most of the investment for farmers is in the soil but this is a new piece of knowledge, it wasn’t considered by the previous generation”.[52] It is also important to consider suitable leasing options for different production systems. For example, tree crops pose a challenging issue as they can take upwards of twelve years to begin making a return. However, there may be alternative models that enable farmers to pursue agroforestry with security of tenure.[53]

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[48] Cropping farmer, research interview
[49] Sheridan, Carney, Cumming & Christoe 2021 ‘Land-sharing to keep agriculture growing in the City of Whittlesea’ (Unpublished.)
[50] Expert panel adviser, research review
[51] UK Department for Environment, Food & Rural Affairs 2013 Future Of Farming Review Report
[52] Small scale farming expert, research interview
[53] For more, see: https://propagateag.com/going-long-legacy-investing-with-agroforestry

The inclusions and exclusions of lease terms vary and whether the lessee has access only to land, or to equipment, facilities, and utilities, and responsibilities for repairs, maintenance, or investment into the property. Matching land available to lease with the necessary resources can be challenging for some farmers, including necessary water licences and access.[54]

A common challenge for leasing is reluctance for either party to pay for high cost improvements, such as fencing or irrigation. Inclusions, compensation for improvements, and/or cost-sharing agreements should therefore be clearly stated in the lease.

Well-developed templates and access to expert advice is therefore important for both parties in a farming lease.

The UK's Agricultural Tenancies Act 1995 introduced Farm Business Tenancies (FBTs) as a legal framework for leases of farmland which address issues specific to farm leases such as a minimum notice period of one year to end the lease, and provisions that improvements made by the lessee, including intangibles, must be compensated at current market value when the lessee quits the property.[55]

FBTs tend to be on average between three to five years duration, which some consider too short a period to properly establish a business. Established farmers also have an advantage over new entrants in securing these tenancies, as they are more likely to be able to offer higher rents

Risks and Decision Making

Land-owners can be reluctant to relinquish control of land management decisions or can hold concerns about the long-term implications for the health of the land after the lease term ends.

As a result, farmers may prefer to lease to experienced farmers rather than new farmers to reduce their financial risk and concerns about land management.

Leases should therefore include provisions about responsibilities of the lessee regarding land management such as application of fertilisers, pesticide use, vegetation management, or other agreements about decision-making on the lease area.

A lessee takes on all production risk and faces a fixed cost regardless of profitability.

[54] Organic market gardener, research interview
[55] For more, see: https://www.netlawman.co.uk/ia/farm-business-tenancy

Barriers to leasing public land

This is a very new emerging opportunity that is complicated by the wide range of crown land contexts. Due to the criteria for leasing public land discussed above, it is likely only a possible opportunity for small scale agro-ecological food production that has significant other public values (e.g. ecological function). Any leasing of crown land for agriculture must not damage fragile ecosystems, such as alpine environments. A major barrier is lack of understanding of systems and potential benefits of small-scale agro-ecological food production.

Current regulatory & legislative context

Some states have regulations specific to agricultural leases, however Victoria does not have legislation specifically around protections for agricultural leases on private land. For example, the Agricultural Tenancies Act 1990 in NSW applies to agricultural tenancies of land greater than 1 hectare in area and where the land is used wholly for or mostly for agricultural purposes. The Agricultural Tenancies Act considers a number of different tenancy types depending on the lease term. The Agricultural Tenancies Act, amongst other issues, provides a minimum notice period of 6 months to end a year-to-year lease. The Act specifies improvements that can be made by lessees without consent and that improvements by either party should be compensated at a reasonable amount.

Legislating aspects of agricultural leases such as minimum notice periods or requirements around fair compensation for improvements could help provide security for lessees and incentivise improvements, however this is not seen as a critical barrier to leasing, if adequate legal advice is available to the parties in developing a lease.

Tax implications

Leasing farmland attracts GST unless the lease term is 50 years or longer and the land is leased to an Australian Government agency. Leases for entrant farmers are not commonly this long, meaning they most often attract GST.

For the lessee, payments are fully tax deductible. For the lessor, lease payments are not considered primary production income for the purpose of income tax averaging.

Gaps in information, technical and financial expertise that limits the adoption

Both potential lessors and lessees need access to information on benefits and considerations of farmland leases. Multiple interview participants flagged the difficulty in setting up a leasing arrangement and negotiating the terms with their lessor and lessee due to lack of available resources and templates.[56] [57] A barrier being experienced by a first generation market gardener who is currently negotiating a leasing agreement with a land-owner, is the lack of

[56] Egg producer, research interview
[57] Organic market gardener, research interview

benchmarking available to assist in negotiating the terms of the agreement. They are trying to determine what the land should cost to rent, what they should pay for access to existing infrastructure and equipment. This is further complicated by an existing rental agreement in place that “does not reflect their reality now”[58] and leads to unrealistic expectations from the land-owner.

Misunderstandings, variations or mismatches in expectations around farming practices (i.e. regenerative and conventional) between lesser and lessee can also create barriers for successful partnerships and arrangements.

Access to legal support and templates to address key aspects of agricultural leases. For example, Tenant Farmers Association in the UK is an advocacy network with resources to help those leasing and without land-ownership to have fair terms and conditions.[59]

Recommendations

Incentivise and legislate stable lease conditions

Encourage greater security for leasing to new farmers by offering incentives for longer term leases. In Ireland, this is achieved by offering a sliding scale of tax relief based on lease terms, with deductible amounts increasing with the term of lease.

Security for tenant farmers could also be improved by establishing a minimum notice period required to end a lease.

The United Kingdom, for example, requires a minimum 12 months notice to end a Farm Business Tenancy, offering tenants greater security in their annual planning.

Minimum lease terms have also been suggested as a means of improving long-term prospects and incentivising farm leases for tenant farmers, however minimum terms this must be balanced with land-owners’ concerns about leasing to unknown or inexperienced tenants. Such concerns could be exacerbated by long minimum lease terms and restrict availability of leased land to more established farmers. Minimum lease terms should therefore be developed in consultation with potential lessors and lessees, and in conjunction with provision of legal advice and relationship-building options, to address lessor concerns and avoid perverse incentives.

One alternative is for a tenancy association to undertake longer-term leases from land-owners, providing security of return for the land-owner and assuming responsibility for ensuring adherence to lease terms around land management. The tenancy association then

[58] Organic market gardener, research interview
[59] For more, see: https://tfa.org.uk/

leases to eligible tenants.[60] This model has been used successfully in the UK for rural housing and could be applied to farm tenancies for entrant farmers.

Concerns around lease terms can also be eased by ensuring lessors and lessees have access to advice for sound and comprehensive legal agreements, support for which is discussed further below .

An additional pathway for securing stability through leasing land is a lease-to-buy option, which enables exiting farmers to transfer ownership over time, while providing land access and longer term stability for leasing farmers, with a pathway to ownership. Promotion and support for this pathway can be integrated into the matchmaking and technical assistance support outlined below. An example is a pilot scheme supporting lease-to-buy options for young farmers currently being supported by an Agrifutures Acceleration Grant, drawing on examples from Scotland and Zimbabwe[61]. It provides a combination of mentoring, financial advice, and professional development along with the opportunity to gain equity through a lease-to-buy model. Support for similar schemes could be supported and incorporated into match-making and technical advice supports discussed below.

Make it easier for farmers to find lease land

Facilitate connections and invest in matchmaking support to lessees and lessors to encourage access to leased land.

Support a dedicated service to play a trusted brokering role between land-owners and entrant farmers, identifying opportunities and providing information and advisory services to encourage uptake of leasing and other land access models. Identifying landowners, particularly those that are not yet using the land productively, and that may want to farm and/or also be open to enabling other farmers on their land could be extremely valuable, especially in areas of high land competition.

Land-matching services may be private, public, or a joint venture between public agencies, not-for-profit organisations and/or industry associations, however key features are trustworthiness and technical expertise. Overseas examples include the Scottish Rural Innovation Support Service which has developed a land-matching service comprised of members of the National Farmers Union, young farmers' groups, land agencies, and tenant groups. The British Columbia Land Matching Service is a government-funded program administered by an established not-for-profit membership network for young farmers,

[60] UK Department for Environment, Food & Rural Affairs 2013 Future Of Farming Review Report
[61] Agrifutures Australia 2022 'Rent-to-buy: farm edition' https://www.agrifutures.com.au/news/rent-to-buy-farm-edition/

offering personalised match-making between farmers, and referrals to business and technical support services.

In Australia, match-making services for aspiring farmers are developing. Cultivate Farms is a social enterprise linking aspiring farmers with land-owners wishing to exit farming, or investors to support land purchases, while also providing resources and skills development for entrant farmers.[62] Young Farmers Connect Farmlinks program provides networking and outreach for land-matching opportunities and advice for young farmers seeking land.[63] Organic and Regenerative Investment Cooperative (ORICoop) focuses on bringing together aligned investors, land-owners and farmer pathways on land that is certified organic or biodynamic[64]. Such services should be supported and expanded, in conjunction with support for technical advice around legal and financial matters.

Image: Young Farmers Connect

Young Farmers Connect

[62] For more, see: https://www.cultivatefarms.com/
[63] For more, see: https://www.youngfarmersconnect.com/farm-links
[64] For more, see: https://www.impactinvestinghub.com.au/deal-oricoop-farming-investment/

Young Farmers Connect (YFC) is developing a legal support toolkit to address the gap around scale- and context-appropriate legal frameworks in the public domain for land-sharing agreements in Australia. Their aim is to address the lack of legal support or guidance which is a barrier for many land-owners interested in land-sharing. This toolkit will include frameworks for contracts between land-owners and farmers which would be tailored by lawyers to the specific situation of each party. YFC sees this as re-distributing risk more fairly between both parties, and also addressing power imbalances which often result in land-share agreements.

This toolkit would be made available to users of YFC's FarmLinks service,[65] which advertises land-sharing opportunities to young farmers and provides an initial vetting service of applications on behalf of land-owners. FarmLinks has broad reach into young farmer networks along the eastern seaboard, Tasmania and Western Australia and has farming opportunities currently available in Victoria, Tasmania and New South Wales.

YFC also consults with councils and reviews their rural strategies with an entrant farmer lens.

Support uptake of leasing land through providing expert advice

Sound legal agreements can mitigate many of the concerns and challenges of leasing farmland, while financial and tax considerations are key to incentivising and capitalising on leasing opportunities.

Facilitating and/or providing access to legal and financial advice is therefore critical to encouraging land-owners to offer, and new farmers to take up, leases which are fair and sustainable for both parties. As commented by one research interviewee, "as they say, the best contract is the one that you never have to look at … if you're going to have one, make sure it protects everyone's interests and needs".[66]

Such advice can be offered via the match-making services recommended above, or via a farm tenant support association like the Tenant Farmers' Association in the UK. A 'Rural New Generation Scheme' proposed by Fiona Taylor, recipient of the 2022 AgriFutures Rural Women's Acceleration Grant,[67] looks at the success of programs in Zimbabwe and the UK for lease-to-buy options that focus on young farmers establishing a relationship with financial institutions as during leasing agreements to build trust in their farm business endeavours.

In Australia, there are existing farmer support organisations who are working to develop legal toolkits or templates and to provide advice on legal aspects of land access strategies, including Young Farmers Connect and the Australian Food Sovereignty Alliance. These

[65] For more, see: https://www.youngfarmersconnect.com/farm-links
[66] Small scale farming expert, research interview
[67] For more, see: https://www.agrifutures.com.au/news/rent-to-buy-farm-edition/

organisations combine legal resources or expertise with understanding of the specific challenges that young farmers are facing. These organisations could be supported to extend their provision of expert advice.

Public land leasing - scoping study

While there is only a comparatively small amount of public land that's potentially available for farming, successful international examples suggest that it's worth pursuing greater understanding of how this land can facilitate farm business ownership skill development pathways. An appropriate first step would be a scoping study which surfaces demand from a small number of agro-ecological food producers and explores their specific needs, potential public benefits and candidate crown land.

Model : Share-farming

What this model is

Share-farming covers a range of arrangements in which the land-owner and another party share some combination of land, inputs, assets, and costs and a share of revenue. Share-farming is less common in Australia, but has been used widely in other contexts.

Australian farmers prefer semi-retirement more than farmers in other countries[68] therefore share-farming can offer a pathway to reduce farming activities while maintaining land and income streams.

Legally, a share-farmer is usually considered an independent contractor, and is neither tenant nor employee of the land-owner.

Share-farming is a highly variable model, as the level of control, assets or capital required, and the terms of cost and income sharing can be adapted to circumstances, and vary widely. An interviewee described share-farming agreements in the dairy industry as relatively common but with "one million and one variations - for the most part they are successful but depending on the personalities involved as to the lifespan of them".[69]

[68] Massy, T. (2021). Regeneration, Growing New Farmers. Farmer Incubator and Young Farmers Connect. Retrieved from https://www.youngfarmersconnect.com/s/Regeneration_Digital_final_small.pdf

[69] Dairy share-farmer, research interview

Share-farming models

Livestock share

"The fastest way for a young farmer to gain equity in the livestock industry is to grow herd size. This to me seems the pathway to land ownership."[70]

Used widely in the dairy industry in New Zealand and common in Australia, livestock share-farming models include an arrangement in which a herd owner supplies some or all of the herd and operates the farm on the land-owner's property. The land-owner receives a percentage of the profits - this can be a fixed percentage or variable with the market rate of the product. For example, the dairy share-farmer interviewed has what he considers to be a standard agreement structure with a 50:50 profit share. As a part of the agreement, he provides the cows, labour and basic machinery, with the land-owners providing the land and the running costs are also split 50:50. He took the opportunity to enter a share-farming agreement when the milk price was low so cow prices were also low, as banks will only lend 50% of the value of the cows.[71] One expert[72] recommend that standard agreements may need to be reviewed in light of very significant recent increase in land prices, for example 50:50 for the first 3 years, then after that, the share moves in the direction of the share farmer e.g. consider dropping it to 40%, then 35% for subsequent years.

Land-sharing agreements in the dairy industry are usually long-term. Extensive information resources are provided on agreements and examples are provided by Dairy Australia.[73]

Cropping

Cropping land-share agreements are most commonly for one season, or for an agreed number of seasons to achieve a fair average return on crop rotations.

How this model addresses the barriers and enablers experienced

Lower capital outlay

Share-farming can allow new farmers to access equipment and infrastructure with lower capital outlays, and allows the land-owner to achieve efficiencies from the use of their land and assets. Share-farming arrangements have also been used where an established farmer

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[70] Expert panel adviser, research review
[71] Dairy share-farmer, research interview
[72] Adviser, research interview
[73] For more, see: https://thepeopleindairy.org.au/wp-content/uploads/2019/05/ShareFarmCodeofPractice-tabs.pdf

invests in livestock to be managed by a share-farmer, or purchased from the land-owner by the share-farmer over time through a payment plan.[74]

An advantage in the dairy industry for share-farming is regular monthly, rather than seasonal, payments to parties, which can ease the transition period for young farmers.[75] Share-farming can also enable a young farmer to start with a smaller herd while receiving incoming for managing the land-owners herd, and enables entry without the cost of regular lease payments. However, the share-farmer may take on more working costs of farm operation.

Enabling exit pathways

Share-farming allows land-owners to reduce or entirely stop their active involvement in day to day farm management activities, while remaining on the farm and maximising the value of existing equipment and infrastructure. Share-farming can also allow for diversification and specialisation between enterprises on the property.

Share-farming can also incentivise land-owners to make land available outside of family succession, as family members can inherit land without necessarily needing to farm it or to farm full time.

Image: Bulla Burra

Case study: Bulla Burra Farms

[74] For more, see: https://www.peopleinag.com.au/your-stories/will-colbert-share-farmer-nilma-north-victoria/
[75] Dairy share-farmer, research interview

Bulla Burra Farms was created by a collaboration between two farming families in South Australia.[76] The two landholding families formed a company with a structure defining the respective farmers' roles, and the use of their now-shared farmland, assets, and equipment.

Ownership of the land remains with the original land-holders, while the landholdings are leased back to the company - this formally separates the real estate holdings and the company operations, and enables each family to pass down the business to their children even if the next generation does not choose to farm. Each farmer then receives a share of company profits, as well as receiving a wage under the company agreement.

The new company combined infrastructure and equipment - the original enterprises sold some equipment to the company for shared use, while other equipment was sold separately to provide capital to invest in new, shared, more cost-effective equipment.

The farmers agree that the model encourages work-life balance, allows them to use their expertise and skills in areas they most want to focus on, and offers a more profitable and sustainable operation that preserves the integrity and heritage of two family farms.

Barriers and enablers of this model

Incentives to share-farm

Share-farming may not provide long-term security for young farmers.[77] At the same time, the current good returns on leased land and simpler legal arrangements in leasing can lead to a preference for leasing over share-farming.

The land-owner assumes greater business risk compared to leasing, as their income is dependent on the profitability of the share-farmer, and needs working capital to meet input costs.

The non land-holding share-farmer still needs access to some capital for start-up costs, and does not gain capital appreciation on land or assets.

It was also noted during the consultation process that land-owners may prefer and/or seek out farm managers rather than a share-farmer as there is the perception or experience that the share-farmer will move on after a period of time/once enough equity has been built. Building the relationship between share-farmers that promotes the growth and opportunities for non land-owning share-farmer is critical to the uptake of this model.[78]

[76] For more, see: https://farmingtogether.com.au/bulla-burra-farms/
[77] For more, see: https://www.farmtrials.com.au/trial/13872
[78] Expert panel adviser, research review

Formalising the agreement

Legal agreements may vary in complexity according to the arrangements, from incorporation of companies for shared ownership of equipment or land, to basic contracts. There is no legislation which specifically defines share-farming, though workplace law clearly distinguishes differences between employment and independent contracting.

However, it is recommended that parties:

- Establish transparency in sharing information on farm budgets, assets, and costs
- Always have a clear legal agreement outlining responsibilities and entitlements regarding assets, farm infrastructure, cost and income sharing
- Establish agreement on land management practices
- Work with an advisor

Land-owners may retain primary production status for a share-farming arrangement if their involvement is more active than paying land ownership costs,[79] however some share-farming arrangements may not qualify the land-owner as a primary producer with the ATO and thus change the tax implications for that land.

Scale

For some sectors, economic incentives to share-farm do not promote uptake of this model. For example, in sheep and beef operations, scale is often inadequate to generate enough income that will support the share-farming arrangement between the land-owner and share-farmer. This is likely to contribute to the lack of uptake of share-farming across some agricultural sectors compared with the dairy industry.[80]

The uptake or continuation of share-farming agreements may also be dependent upon the scale of the operation. This may be a specific challenge to the dairy industry which cannot easily achieve economies of scale due to the necessity of labour and variable costs.[81] This was highlighted by one interviewee stating that *"once [dairy] share-farmers get over 300 cows, you need more people around and there isn't the margin in it. If the other share-farmer wants 50 more cows, I would have to employ another person so the extra money for me would go straight to paying another employee".*[82]

Gaps in information, technical and financial expertise that limits the adoption

Knowledge of legal structures and agreements needed for share farming and the implications for each enterprise may be limited among farmers who would benefit.

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[79] Lenaghan, Liam 2006 Consider the alternatives to buying or selling agricultural land.
[80] Expert panel adviser, research review
[81] Adviser, research interview
[82] Dairy share-farmer, research interview

Effective financial and farm management records facilitate the development and maintenance of good share-farming agreements however, these may not always be available.

Mechanisms for potential farmers to find share-farming agreements outside of established or local relationships.

Appropriate and timely support is crucial to ensure the most chance of success. Where farmers have a bad experience they are unlikely to try again and other farmers will also be less likely to try it.

"It's a once in a lifetime thing - a farmer will only do it once and if it doesn't work, they'll just sell up".[83]

Recommendations

Promote share-farming to ageing farmers

Ageing farmers may be less familiar with potential share-farming models as compared to sale or lease of land, and so unfamiliar with potential exit pathways through share-farming which offer a range of ways to remain involved in active farming if desired.

Outreach and information on share-farming options for land-holding farmers who are in a position to start succession planning or are looking to exit should be developed and supported. Cultivate Farms has significant resources and networks in providing advice to ageing farmers.[84] There is an opportunity to partner with Victorian organisation, Cultivate Farms, and others to include better information about available options for share-farming and shared-ownership arrangements that meet the needs of both parties..

Promoting stories and examples of the diversity of options available through share-farming for landowners to shape exit pathways to their needs and capacities can help ageing or exiting farmers identify options to meet their needs, which sale or leasing of land may not address, including options for gradual transfer of ownership and decision-making.

Provide technical advice and examples of share-farming arrangements for young farmers

Share-farming can take a range of forms, from flat rate revenue splits to shared investment in livestock. While there are well-developed resources available on dairy share-farming arrangements, these are not always applicable to other farming situations, and expertise is needed to assess and adapt agreements to other farming types.

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[83] Cropping extension manager, research interview
[84] For more, see: https://www.cultivatefarms.com/blog/ageingonfarm

Young farmers would benefit from examples of the different ways that share farming could work for their farming type, examples of the pros and cons of different structures, and access to advice.

A priority area for quick wins would be expanding support available for share farming arrangements, particularly outside the dairy industry where they are less common.

Facilitate share-farming matchmaking

Like other forms of land-sharing, finding and building relationships for successful share-farming can be challenging, especially for those new to the industry and developing their networks.

Similar to support for farm leasing, supporting match-making and relationship-building would help new farmers explore share-farming options.

Ensure share-farmers are eligible for agricultural supports

It is important to ensure that share- and tenant farmers are not excluded from supports available to land-owning farmers. The Australian Government has recently announced that share-farming and leasing farmers will be eligible for AgriStart Loans from April 2022. It is important that financing options and credit supports like these are made available to new farmers taking non-traditional pathways into farming without land-ownership.

Underwrite and/or matchmake equity partnerships to support young farmers

Access to sufficient capital and lack of equity for commercial loans can remain a barrier for entry to some share-farming arrangements.

Equity partnerships can enable young farmers to start in share-farming while also building their ownership over time from a lower capital outlay.

This also allows investors or land-owners to bring the expertise and skills of new farmers into their operation who have 'skin in the game', and 'intangible' benefits such as expanded networks. One interviewee was a 46-year-old experienced market gardener who recently started a partnership with two others, each with a 33% share in the medium sized horticultural business. He contributes all of the growing skills, reputation and processor networks that guarantee their highly perishable produce has a market from the get-go. The other partners contribute access to land and business and financial acumen. The partnership is allowing a sharing of farm business responsibilities which is proving to be beneficial to their health and wellbeing: "Nowadays you can't do it on your own, it's just too hard, go in with a partnership… you're then able to get a break for your mental health as well".[85]

[85] Market gardener, research interview

With the growing prevalence of corporate-owned farms, there may also be opportunity for young farm workers and business managers to build equity shares in corporate farms they work for as part of their salary package. This is a pathway to partial farm ownership - although not a pathway to own their own business independently, it can enable young farmers' to build equity and can in turn help to access capital for future ventures. An equity stake can also be a valuable tool for retaining the best staff, as it incentivises performance and retention.

Case studies show that equity partnerships work best with a clear business plan and partnership goals from the outset, along with clear plans for transition of control between partners.[86] There is a need for farmers to be 'investment ready', with the capacity to report to partners, demonstrate sound management, and negotiate the financial terms fairly. For many young farmers this will call for building a new skill set and expert advice.

Equity partnerships may seek investment from land-owners, whether individual or corporate, from other private investors, via banks, or through public investment. Mechanisms to support the promotion and sharing of equity partnership opportunities should be explored.

Model: Co-operatives

What this model is

A co-operative model is a legal and business structure for collaborative farming in which co-operative member enterprises operate collectively with democratic decision-making processes.

Producer co-operatives in Australia have most commonly been formed to collectively process and market produce from multiple farms, allowing producers to increase market access and economies of scale, and achieve better prices and more cost-effective practices as a group.

Producer co-operatives may work to process and distribute members' produce collectively, provide access to facilities, storage, or farm support services, and/or market produce collectively to achieve greater bargaining power and better prices. A share of profits is then invested into the co-operative to support these activities.

Co-operatives thus help to reduce the cost of doing business and to mitigate risk for member-owners, while also sharing expertise.

While co-operatives do not necessarily involve the sharing of land, co-operatives can be established between co-located farmers to facilitate collaboration. Co-operative structures have been used to establish a legal structure for land-sharing between farmers and

[86] Red Meat Profit Partnership 2020 'Equity Partnerships'

land-owners in land trusts or lease arrangements. A co-operative model in these cases enables farm enterprises to establish shared facilities, investment in improvements, logistics, and marketing, as well as providing a structure for shared decision-making. Such arrangements can help new farmers get started by sharing risk and providing access to infrastructure, equipment, and markets at a lower cost.

How this model addresses the barriers and enablers experienced

Co-operatives offer the opportunity to spread the cost and risk of entering a farm business across a team of at least five co-op members. Co-operatives can be applied in the context of young farmer business pathways to help:

- Purchase land
- Share the cost of equipment
- Source inputs at a discounted rate through group buying
- Facilitate multiple enterprises making use of shared land or equipment
- Share the cost and load of marketing
- Build communities of knowledge- and skill-sharing

There is also the opportunity to start a co-op farm business that services members, e.g. contracting, agronomy, processing, marketing, value-adding services could be available to co-op members rather than as a standalone entity.

In Australia, co-ops have been commonly used in agriculture to undertake processing (e.g. Murray Goulburn Co-operative and Norco dairy co-operatives) and full value chain input purchasing, processing, transport, and sales (e.g. CBH Group grain co-operative). Co-ops such as the Organic Regenerative Investment Co-op have also been experimenting with co-op structures to facilitate land purchasing.

Internationally, co-operatives have been used for similar purposes, and also notably for shared purchase and maintenance of large and expensive agricultural equipment.[87]

[87] For more, see:
https://usaskstudies.coop/documents/books,-booklets,-proceedings/cuma-farm-machinery-co-ops.pdf

Image: Harcourt Organic Farming Co-op

Case Study: Harcourt Organic Farming Co-op

The cooperative model and form of land sharing enabled Katie and Hugh to step back from active farming, continue to stay on farm and solve the issue of succession via a non-familial succession model.

The Harcourt Organic Farming Co-op[88] was established after Mt Alexander Fruit Garden owners, Hugh and Katie Finlay, sought non-familial succession alternatives as they approached retirement. The couple wanted to stay on the property and were reluctant to simply sell the farm after the years they had spent stewarding its organic soils, and wanted a better solution. They were approached by two young farmers seeking a small parcel of land for a market garden.

Seeing the success of this land sharing arrangement, the Finlays were awarded funding through the Federal Farming Together program that enabled them to develop a business plan for other new farmers to establish complementary enterprises, with each leasing land from the Finlays. The funding included a consultant to manage the process along with access to experts to help the Finalys develop the leases, determine the purpose and legal

[88] For more, see: https://hofcoop.com.au/

structure of the entity (which turned out to be the co-op), and some business training for the enterprises.
The aim of the co-op 'is to make the farm as productive and profitable as possible, within a collaborative framework and using regenerative and organic principles'. The farm now comprises five farming enterprise members in the co-operative. Individual leases cover the land and assets and water use available to each lessor, as well as land management requirements - in this case organic farming practices.

The Finlays were initially fearful that a cooperative model may restrict their access or amenity of living on-farm however this proved only to be perceived and in fact, find the model exciting and stimulating with intangible benefits of having a community on-farm. Similarly, relinquishing control in decision making was daunting but they realised that what is important to them as land- owners has been written into each lease contract and these have not been compromised.

After three years of operating as a cooperative, HOFC completed a comprehensive review. They believe that the cooperative structure provides significant value through a unified voice and brand and opportunities to sell direct and collectively through online and physical marketplaces. A significant benefit of the collective entity has been the agreement by their organic certifying body that the existing certification for Mt Alexander Fruit Gardens is recognised and subsequently that auditing happens for HOFC lessees as separate businesses but under the same audit number as Mt Alexander Fruit Gardens. This would have otherwise been a costly barrier for each small enterprise to gain individual certification.

While the cooperative model has been successful in enabling access to land for young farmers and farm business ownership opportunities, the Finlays recognise two issues that are yet to be addressed by the model: incentives for capital improvements on property and the transfer of land-ownership. They are now exploring land trusts as a form of long term agricultural land tenure and funding opportunities that will incentivise capital improvements.

Case study: Food Next Door

Food Next Door[89] matches under-utilised farmland with landless farmers of refugee backgrounds to support small-scale regenerative farming, grow diverse crops and engage people from diverse backgrounds to supply food to local households.

The model is funded by a combination of enterprise income (vegetable box scheme) and grant funding. Food Next Door supplies 90 households with fresh produce via 7 acres of previously unused farmland now farmed by 37 farmers, mostly of refugee backgrounds.

[89] For more, see: https://www.foodnextdoor.org.au/

Through a government grant, the Co-op has also established a partnership with a community water co-operative, Mildura Community Water Bank, to support access to irrigation water at stable prices for co-op growers.

Barriers and enablers of uptake of this model

Implementation support enables uptake

A key supporting element identified by participants was access to informed, professional support to set up a co-op. The Farming Together program[90] had significant resources available to farming co-operatives during its initial period of funding from the Federal Government, and was a positive component in a number of participants' co-operative journeys.

What made this support successful in participants' eyes was that it was a farmer-led process, which was easy to apply for and meet eligibility requirements. Participants had access to a consultant who could then provide referrals as needed. In one participant's case, to plan and set up the co-operative they engaged with a farm lease expert, a co-operative expert, a business consultant and a lawyer. The breadth of this support, and the way that it responded to their context and needs is what made this support so valuable and so highly recommended by participants. In the case of some participants, it was only through the Farming Together program that they were introduced to a number of components in their farm succession plan that are now integral elements. The program stepped them through how to apply the components in their own farm business.

[90] For more, see: https://farmingtogether.com.au/

Whether forming a co-operative for new business or to transition an existing farm business to new owners or a broader group of owners, the process requires significant support from an early stage, and then for a prolonged period. In the case of Harcourt Organic Farming Co-op, for example, two years was spent planning with technical support before any other enterprises came on board.

Participants spoke of the challenges finding the right support to make the co-operative journey alongside them. For some young farmer participants, they could access initial advice and consultation, but then struggled to secure a long-term guide through the process of establishing a co-operative. Without that support, progress was challenging and slow-going, with a number of dead-ends and false starts - it was difficult for participants to know where to put their energy and what processes to follow. While not explicitly mentioned by participants, it would be interesting to understand whether the different experiences we heard from exiting farmers and entering farmers relates purely to the additional funding that was available through the Farming Together program at the time, or whether it is also more challenging for new farmers without 'evidence' or assets to access support such as this.

The collaborative element delivers unique benefits & challenges

Both entering farmers and exiting farmers identified the collaborative, community element of the co-operative model as one of its appeals, and something that made the pathway worth pursuing. They enjoyed the knowledge-sharing and support aspect, and also saw a shared interest in the business as a mechanism for enabling better work distribution and work-life balance.

As with any human process, running a co-operative requires strong communication. The collaborative nature does, however, perhaps require stronger commitment to those processes than traditional business models might. Having guidance and access to facilitation has played an important role in navigating this challenge and building skills in this area for a number of farmers.

Current regulatory and legislative context

Co-operatives are governed by the Co-operatives National Law (2012), in Victoria this comes under the *Co-operatives National Law Application Act 2013*. Introduction of this legislation provided much-desired clarity around what constitutes a co-op, who can call themselves a co-op, the responsibilities of a co-op, and how co-ops must be governed.

> *"A co-operative is a democratic organisation, owned and controlled by its members for a common benefit. Co-operatives are traditionally based on values of self-help, self-responsibility, equality and solidarity.*

Members of a co-operative can benefit from economies of scale through the combined purchasing, distribution or marketing power or influence of the group. They share in the group's investment and operational risks and losses, as well as its benefits."[91]

Some of the notable components of co-operative law as applied in this context:

- Co-operatives must have at least five members
- No member can hold more than 20% of shares
- Co-ops must be managed democratically with each member holding one vote in financial and governance decision-making

There are two types of co-operatives: non-distributing co-operatives use surplus funds to operate the organisation's business, and don't distribute surplus funds to members; distributing co-operatives may distribute surplus funds to members in the form of bonus shares, dividends and rebates.

Small co-operatives have some reporting requirements than a small business of a similar size might in order to communicate financial information and value created to members each year. Co-operatives are considered large (which entails more reporting requirements) once they hold more than $4 million of gross assets and entities, which is reasonably low if farmland to service five members were to be one of the assets.

Recommendations

Support a resources and knowledge sharing program

Resources and programs - such as tours, workshops, peer-to-peer mentoring and more - are needed to share information about the benefits of co-operative formation and the pathways towards co-operatives. The great enthusiasm generated by successful co-operatives should be harnessed in supporting this model's rollout to others. Resources should be allocated to supporting co-operative champions to share their stories and lessons learned.

In particular, enthusiastic advocacy to and support for farmers considering succession models is needed. Mechanisms are needed that enable those exiting farmers to be introduced to co-operative succession models in a relational way, where they can talk through concerns and experiences with others who have successfully taken this pathway.

[91] For more, see: https://www.consumer.vic.gov.au/licensing-and-registration/co-operatives/what-is-a-co-operative

Facilitate context-specific training & multi-year implementation support for co-operatives

It is evident from success stories to-date that tailored, context-specific training and then multi-year implementation support is critical for co-operative success.

There is the possibility of building on the experience, assets and professional expertise that already exists in Victoria. This could include components such as the Farming Together model and assets, the Australian Institute of Company Directors training tailored for co-operatives that have been developed in conjunction with the Business Council of Co-operatives and Mutuals, and others. Subsidised use of expert knowledge and guidance will be key to the multi-year process that is necessary for the set up or adaptation of a farm business as a high functioning co-op.

Ensure co-operatives are eligible for supports such as subsidies and grants

Co-operatives should have access to all forms of business pathway support, including components such as subsidies and grants. This should apply whether the co-operative is distributing or non-distributing.

Model: Enabling philanthropic, impact and/or public investment in land to support new farmers

What this model is

Across the world, the low cost of debt and demand for land, particularly for non-agricultural purposes such as residential development, has seen productive farmland values increase precipitously. Farmland trusts and covenants are mechanisms that enable philanthropic and other altruistic investors to make land available for the express purpose of securing pathways for landless and aspiring farmers. These mechanisms are more commonly used in the US and UK, and are yet to be adopted in any significant way in Australia.

Land trusts and covenants can also be used to facilitate integrated land management approaches with housing, conservation or cultural objectives occurring alongside agriculture activities thereby incentivising the development of partnerships to purchase land for multiple uses. There has been some policy research exploring the establishment of farmland trusts as a model to protect agricultural land around the urban growth boundaries of Melbourne.[92]

[92] Carey, R., Larsen, K., Sheridan, J. and Candy, S. (2016) Melbourne's food future: Planning a resilient city foodbowl. Victorian Eco-Innovation Lab, The University of Melbourne.

Land Trusts

Land trusts are typically established by public agencies or private not-for-profit organisations to purchase and hold land in perpetuity for a particular purpose. There would also be opportunity for impact investment through land trusts whereby social or environmental goals are achieved *alongside* some form of financial return. This mechanism can be used to provide long term affordable land access for new entrant farmers.[93] There is no one model for a land trust and in reality they can be set up in different ways that meet the particular context (e.g. whether it is solely for farmland or a combination of commercial food production and residential housing) drawing on combinations of existing laws.

One example of land trusts is the Community Land Trust (CLT) model which was first established to provide long term secure housing and has been successfully implemented in the US and UK. The CLT model functions by a trust organisation, made up and governed by its members, purchasing land that either members or others can then buy or lease into and make improvements to (i.e. an apartment), but they do not own the land itself.[94] The CLT model also works to serve multiple uses of the land, including for agricultural purposes and can be used in conjunction with leases, share-farming, or co-operative structures.[95] In countries such as the US and UK, land trusts have proven to be successful models for entrant farmers to access and pay for land due to the explicit purpose of maintaining affordable access to land and keeping the land agriculturally productive.

There are emerging CLT projects in various stages of development across Australia with most focussing on affordable housing but some also incorporating commercial food production. In practice, this model is mostly being explored in relation to smaller scale agro-ecological production in close proximity to residential development but it could also be applied to larger scale production contexts.

It is commonplace in the overseas implementation of land trusts to have peak bodies or agencies that provide a way of "aggregating administration, centralising expertise & governing larger philanthropic investments".[96] This is exemplified by the Ecological Land Cooperative (ELC) in the UK which is proposed by the community expert as a suitable model for adopting in Australia. ELC has two governing bodies that work together to achieve the objective of increasing access to affordable land for small-scale agroecological food production and sustainable rural livelihoods.[97] One body is a registered charity that can attract tax deductible donations, contributions or investments and the other has a cooperative structure that can

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[93] For more, see: https://centerforneweconomics.org/apply/community-land-trust-program/
[94] For more, see: https://centerforneweconomics.org/apply/community-land-trust-program/
[95] For more, see: https://www.westernsydney.edu.au/__data/assets/pdf_file/0006/600567/Australian_CLT_Manual.pdf
[96] Small scale farming expert, research interview
[97] For more, see: https://ecologicalland.coop/about

then democratically govern how these assets are managed through the land trust. The ELC has 7 land trusts under their umbrella and each trust has its own covenants, farmers and cooperative governing body (a cooperative whereby members buy a share).

Similar to the ELC structure is the Agrarian Trust in the United States. This charitable organisation was established in 2013 with a mission to support land access for the next generation of farmers.[98] It provides financial support (via a consolidated investment vehicle for donors) and research and technical support to "Agrarian Commons".[99] There are currently 12 Agrarian commons operating in the US. These are nonprofit landholding entities governed locally, with all decisions made by a board that includes local partners and stakeholders. Among other things agrarian commons land is used for: Land access for next generation farmers, long-term lease tenure and equity interest for farmers, and stewardship and ecosystem investment.

Terre de Liens is a French land trust organisation that owns 219 farm estates (5750 hectares, 318 farmers).[100] 24,600 members and investors have contributed 90 million euros for the purchase of land and running of the organisation. In addition to common management of land for the express purpose of supporting access to land for farmers and ensuring ecological stewardship of land, it also provides public advocacy and practical technical support to new farmers.

The value and potential of this model as a pathway to farm business ownership in Australia is in its infancy. However there is a need for ongoing momentum for establishment and implementation. A research interviewee stated that "you can argue that we are at an advantage in being laggards and 10 years behind institutional solutions - the work has been done, we just have to deliver and can see the models that have been tested, failed or are successful".[101]

Although the focus internationally has tended to be philanthropic investment for farmland trusts, advice from one CLT expert we spoke to is that "there may be potential for councils to engage in this market, with encouragement to develop an affordable farming land trust policy so that land can be donated to a perpetual land trust that could provide minor but steady revenue streams to cash starved councils".[102]

[98] For more, see: https://www.agrariantrust.org/about/
[99] For more, see: https://www.agrariantrust.org/initiatives/agrarian-commons/structure/
[100] For more, see: https://terredeliens.org/
[101] Small scale farming expert, research interview
[102] Adviser, research interview

Covenants

Covenants are voluntary legal agreements that can be applied to designate (positive) or restrict (restrictive) specific uses on a defined parcel of land, in perpetuity. Easements are a property right to make a limited use of land by someone other than an owner. It cannot give exclusive possession, and must be for the benefit of other land (the dominant land). There are also statutory agreements which are voluntary agreements established by the land-owner and relevant statutory body to apply legal conditions that permit how that land can be used. These tools can be used to enable land to be designated for specific purposes or conditions of management, regardless of who owns the land.[103]

An intersecting relationship exists between land trusts and the application of covenants (or easements) with a community expert describing how covenants can be used in tandem with land trusts to add additional layers of protection.[104]

In the United States, agricultural conservation easements have been used for over a century and are considered to be an effective tool for land trusts and governments to protect the agricultural and natural resources and assets of privately-owned land. The Marin Agricultural Land Trust (MALT) was established in California in 1980 and is the first farmland trust in the United States,[105] working to keep agriculturally productive land as farmland by reducing the market pressures on land value for non-agricultural land use purposes.[106] The not-for-profit has since initiated 91 agricultural conservation easements with over 22,000 hectares of farmland now held in perpetuity and over $USD 90 million paid to farmers as compensation for the extinguishment of development rights on that land.[107]

Trust for Nature is a Victorian statutory body that has been working with private land-owners since 1978 to protect native plants and wildlife through conservation covenants. Today there are over 1500 statutory covenants on land covering 72,000 hectares across Victoria[108] and it is estimated that approximately three quarters of the land-owners are farmers.[109] With inspiration taken from the US and their agricultural conservation easement program, Trust for Nature are currently trialling a whole farm covenant on a 500ha property in Western Victoria where two thirds of the property will be managed through agro-ecological agriculture practices and the remaining third is protected for conservation purposes. The whole farm covenant is a voluntary agreement to permanently protect land for conservation as well as

[103] For more, see: http://classic.austlii.edu.au/cgi-bin/sinodisp/au/other/lawreform/VLRC/2010/22.html?stem=0&synonyms=0&query=covenant
[104] Small scale farming expert, research interview
[105] For more, see: https://malt.org/mission-history/
[106] For more, see: https://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/easements/acep/
[107] For more, see: https://malt.org/our-impact/
[108] For more, see: https://trustfornature.org.au/about-us/
[109] Trust for Nature, research interview

sustainably managed farmland. This trial builds on years of desktop research by Trust for Nature in how the covenant approach can be adapted to also protect farming landscapes.[110]

Trust for Nature sees the importance of protecting agricultural land use and how it can also provide beneficial outcomes for preserving the ecological significance of landscapes. This is already being demonstrated in Central Victoria with regenerative livestock grazing central to the management of remnant native grasslands.[111] This integrated approach differs from the US agricultural conservation easement which is focused predominantly on protecting farmland. The US has "sophisticated and generous taxation schemes"[112] that provide incentives to enter into easements including land tax and income tax deductions across a significant period of time and across the whole value of property.

How this model addresses the barriers and enablers experienced

Provides for pooled investment for the purpose of making land available to new entrant farmers who wouldn't otherwise be able to farm.

Can be combined with strategies to also provide affordable housing for farm business owners and workers (particularly the CLT model).

Barriers and enablers of uptake of this model

Trust terminology for Australian context

It is important to note that the language of what constitutes a 'trust' differs between countries based on terminology. In Australia, trusts have a predetermined legal and governance structure and are defined as "legal arrangements where a person or company (the trustee) holds property and the legal title to that property for the benefit of someone else (the beneficiary or unit holder)".[113] This report discusses land trusts separately to the Australian definition of a trust. To address the possibility for public confusion or challenges with adoption, it may be useful to redefine the language so that it translates appropriately for the Australian context, however continuing to implement the same outcomes and functions of the model.[114]

Imbalance of perceived vs actual barriers

A privately funded project is currently underway in Australia to explore how the CLT model could be drawn on as a model for farmland projects in Australia. A research interviewee who

[110] Trust for Nature, research interview
[111] Trust for Nature, research interview
[112] Trust for Nature, research interview
[113] For more, see: https://www.sro.vic.gov.au/duty-and-trusts
[114] Small scale farming expert, research interview

is working directly on this project points to the research findings of Australia's leading CLT expert Louise Crabtree in stating that "there are no fundamental legal or financial or even cultural barriers to adopting [the CLT model in Australia], the barriers are just perceived barriers and parts of that may just be language".[115]

Because the model is new, investment projects that require debt funding may face additional barriers with traditional lenders. There may be a role here for the Victorian Government to be a mortgage guarantor to reduce the perceived lending risk for land trust investments.

Transaction costs

It is complex to put together land investments that are responsive to particularly local contexts, investment and stakeholder interests and take into account complex legal, planning, tax and regulatory requirements. These costs are particularly high given the lack of diverse established functioning examples in different contexts in Australia to draw from. It is noteworthy that the international examples of land trusts tend to have one central body at the national level to aggregate administration, centralise expertise and govern larger and collaborative philanthropic investment that is then connected to a network of land investments managed through separate entities locally. A research interviewee working closely on land trust models specifically mentioned the need for a centralised body/resource to pool effort nationally.[116]

Limited philanthropy and impact investment

In countries like the US, there is a strong donation and gift-giving culture that organisations like Agrarian Trust have been able to leverage from to purchase land and then hold in perpetuity. Impact investment in food and agriculture is still small but gaining traction in Australia, particularly as opportunities for payments for ecosystem stewardship come into play. Part of the challenge for these organisations is finding people with the skills to deliver the projects with impact outcomes together with profitability. Although in its infancy the recent formation of the national Sustainable Table Investment Fund which enables collaborative philanthropic and impact investment in regenerative agriculture and food systems provides a potential vehicle to pool investment in land and enabling support. Its remit includes investment in young farmer pathways and is therefore a key potential stakeholder/collaborator in the Victorian context.

[115] Small scale farming expert, research interview
[116] Small scale farming expert, research interview

Majority of conservation covenants in Victoria are held by farmers

According to the research interviewee at Trust for Nature, given the organisation is a statutory body, there are no legal barriers to implementing agricultural use covenants.[117] Trust for Nature considers sustainable agriculture to be a key component of preserving ecological values, it is within the organisation's remit to extend the focus of land use protection to agricultural use covenants. Three quarters of the land-owners that have conservation covenants on their properties are farmers, presenting a significant opportunity for the uptake of agricultural use covenants. While this is a huge opportunity, restrictive and positive covenants can also be applied to land titles independent of Trust for Nature as a statutory vehicle. In this sense there is a lack of diversity of examples of covenants to draw from in Victoria.

General attitude towards permanence

Amongst the broader farming community, there is still a stigma and fear around covenants of 'locking up the land' and loss of control over one's land. The permanence of covenants is recognised by Trust for Nature, particularly with how this relates to farming. Trust for Nature are considering mid-term agreements that provide an alternative income stream for land-owners - they are looking to the NSW Biodiversity Conservation Trust and Tasmanian Midlands Conservation Trust with examples of non-permanent, entry level conservation.[118]

Recommendations

Fund action research and support to address barriers to land trust implementation in Victoria

The complexity and diversity of potential land trust investments to meet the needs of specific contexts/stakeholders means that it is important to invest in learning through concrete examples rather than speculative generalised research.

- Identify current and potential land trust investment projects in Victoria for targeted funding for codesign, business case development, investment coordination, expert advice and peer learning support including documenting and sharing learning.
- Make any public funding tied to sharing learning.
- Establish a panel of experts / organisations with detailed understanding of these models to support this project development
- Explore options for collaborative funding with the Sustainable Table Investment Fund.

[117] Trust for Nature, research interview
[118] Trust for Nature, research interview

Explore the role of government in supporting land trust implementation in Victoria

There is potential for the State government play a greater role in supporting land trust implementation in Victoria through policy and program work.

There may also be potential for councils to play a more active role in land trust investment projects.

Given the complexity, it is recommended that a working group be established to recommend reform options to better enable the land trust model so that landholders, councils and impact investors interested in this space can act with confidence

Incentivise agricultural use covenant agreements

To expand the application of agricultural use covenants in Victoria, more incentives are likely required for existing land-owners. Work with Trust for Nature, based on forthcoming outcomes of their pilot, to develop incentives to "attract those [land-owners] that see the effort and time they've put into stewarding the property and retaining this into the future".[119] This could include development of a funding stream to actually provide compensation for land-owners that enter into covenant agreements with public good outcomes.

Resources and knowledge sharing program

There is a need for farmer-led advocacy and education about covenants within the farming community. This could include whole farm covenants enabled by Trust for Nature and also use of covenants outside this statutory framework. This program could be built into the enterprise support program (see below).

Model-Enabler: Enterprise support for supported transition & entry

What this model-enabler is

Alongside the four business pathway models presented in this report, there's a need for a focus on enabling supported transition out of and entry into farming.

There are incentives, funding opportunities, and support programs available to potential and new entrant farm business owners, but navigating the path between these supports and understanding how to piece them together into something meaningful can be challenging for new entrant farmers. It is also important to differentiate between the cohorts of new entrant farmers: those that have sufficient farming experience and skills and are ready to start their

[119] Trust for Nature, research interview

own business, and those that are on the same path but are still in the process of gaining experience and skills. Therefore ensuring the supports and programs are tailored to meet the needs of where entrant farmers are at on their pathway to farm business ownership.

Agriculture Victoria offers Young Farmer Business Bootcamps, Whole Farm Planning courses, eLearning opportunities, Young Farmer Networks, and more. But even with these supports, those hoping to own a farm business can struggle to put together the components into a pathway towards business ownership, can fail to meet eligibility criteria for support, or don't find out about the options available to them.

This model-enabler is a wraparound support that guides potential farm business owners through components such as:

- Land access
- Access to credit/finance
- Understanding how to access tax incentives
- Training and skills-building (business and farm)
- Setting up a business plan
- Developing entrepreneurial skills
- Mechanisms to build equity
- Mentoring and networking
- Navigating regulation and planning
- Marketing support

It must recognise that enterprise support is context-specific, and differs across scales and commodities. It should not prioritise one context, scale, or commodity at the expense of others. For example, a cropping farmer interviewed believes that the only entry point to cropping now via an alternative pathway is to "start contracting, work hard, maybe lease a bit of country and prove that you can be a farmer...can't see any other way unless your parents have got equipment".[120]

Innovative solutions, opportunities and entrepreneurial mindsets required to build equity

A cropping farmer from the Mallee spent several years as a diesel mechanic and contractor with an agricultural machinery company. While working at this company, he purchased 320 hectares and was able to borrow the company's equipment - free of charge - to sow and harvest an initial crop on the 120 hectares. He considers this opportunity to borrow equipment to be his biggest break in his successful path of farm business ownership.

[120] Cropping farmer, research interview

If he didn't have access to this equipment, he would have had to engage a contractor equating to roughly $10,000 for the initial crop. He made $35,000 from his first crop, so a third of this gross income would have gone to contracting.

The opportunity to borrow equipment enabled him to "get cash in the bank and prove to the bank"[121] that he can grow a crop in order to get approved for a loan. He is now managing 4000ha of land of which 2000ha is owned and 2000ha leased. Based on his positive experience, he now also lends equipment to his staff that are wanting to start or expand.

Dairy and sheep farmer participants noted their reliance on livestock trading to grow their equity in order to gain access to capital: "If you're starting with no family backing you're doing well to buy a farm before 40... you might be able to get to 100 acres but this is no longer considered commercially viable - you would have to use that as a side hustle to grow equity to sell that to buy the next block".[122]

How this model-enabler addresses the barriers and enablers experienced

Enterprise support and education is an opportunity to provide scale- and sector-specific support. It can be tailored to specific demographics, mindsets of different portions of the farming community, and different contexts. It is particularly important for those farmers who are new entrants to the profession, and who may not have grown up with an agricultural community, or who may not have agricultural business mentors: "If there are no contextual services provided to those that haven't grown up in an agricultural community, then this group will slip through the cracks."[123]

Not only does this model support those entering farming, it also can provide the scaffolding support needed as young farmers progress their careers and business ownership plans. Rather than relying on word of mouth understanding of business models, ways to build equity, or the skills needed to both farm and run a farm business, this model supports people in a structured way through those pathways, which run across skills, mindset, and more. As one participant noted, it's the opportunity to make sure there's an education pathway towards a farm business ownership mindset, for example "knowing how to negotiate: instead of

[121] Cropping farmer, research interview
[122] Dairy share-farmer, research interview
[123] Small scale farming expert, research interview

getting a pay-rise, can I become a shareholder? Ensure there is an incentive for farm managers to start owning."[124]

Addressing this skills gap was seen as a critical need in enabling farm business ownership: "You can be a great farmer but there's no point running your own farm if you don't have the business skills to go with it. Sure, you can outsource these skills but still need to have an understanding."[125]

Barriers and enablers of this model-enabler

Agriculture Victoria's business management education focus

Agriculture Victoria's current focus on education[126] around farm businesses includes five areas:

- Information for new land-owners
  - Five steps to help land-owners make a decision when diversifying their property
  - How to manage invasive plants and animals
- How to undertake farm decision-making
- Farm debt mediation
- Navigating farm developments (how to identify planning and other requirements related to farm development projects)
- Agriculture Victoria Planning and Advisory Service (related to land use planning requirements)

Whole Farm Planning courses run by Agriculture Victoria are open to land-holders and focus on farm layout and infrastructure, soil and stock management. Some newer initiatives - such as the Farm Business Resilience Program and Young Farmer Business Bootcamps - have introduced more financial literacy and business management skills. There are a number of other course delivered both online[127] and in-person.[128] In a number of cases the focus tends to be for those who already own land (the term 'land-holder' frequently describes the target audience), or are already running a business.

Case study - Green rhinos

Green rhinos is an example of a private peer-learning opportunity for young dairy farm business owners. Run by a private small accounting firm, the group brings together by

[124] Wool producer, research interview
[125] Pork producer, research interview
[126] For more, see: https://agriculture.vic.gov.au/farm-management/business-management
[127] For more, see: https://agriculture.vic.gov.au/support-and-resources/elearning/farm-and-business-management-courses
[128] For more, see: https://agriculture.vic.gov.au/support-and-resources/event-listing

invitation a number of the accountant's customers with a similar business profile to share information and in private forum with each other. It's overseen by the accountant, with additional expertise brought in around farm business consulting.

The group shares data directly from their accounting software to look at how businesses have performed over the previous quarter, and has discussion around what changes each business has made that have contributed to positive business outcomes. Because the group relies directly on unedited financial data, there's a high level of trust built within the group, and a high level of trust that they are viewing true results: "You know the data is correct."[129] Benchmarking data available for some commodities can help farm business owners, but the subjectivity of some inputs such as labour costs, and the reliance on good data analysis from all participants, can make those programs slightly less effective.

Participants have seen improvements in their business outcomes as a result of participating, attributing those gains to lots of small changes made that add up to something more impactful. Being part of a group that has a culture of business analysis and improvement has also been a factor, which participants describe as a mindset shift compared to some other farm businesses.

Recommendations

Tailor Agriculture Victoria's farm management support programs to facilitate pathways to new farm business ownership

Agriculture Victoria has a wide array of existing farm management support programs that could be opened up to non land-holders (or made more explicitly open to non land-holders) in order to develop skills without a relationship to land.

Improving the user experience of the Agriculture Victoria website would facilitate easier access for this cohort to the learning opportunities that already exist.

There is the opportunity to extend these support programs to have additional content that focuses more explicitly on farm business ownership and pathways to farm business ownership that is untied to land. Many of the models available are challenging for those without a farming background or a community of practice to navigate. Helping beginner farm business owners navigate the steps to participating in some of these models, or access incentives that already exist, would be a valuable area to invest in support programs.

[129] Farmer participant

Identifying the critical skills gaps around business ownership and entrepreneurialism - and then meeting those gaps with support programs - presents a significant opportunity.

There is also the opportunity to build understanding about what common pathways to farm business ownership are, including mechanisms used to build capital and equity outside of agriculture to then buy into farm businesses. A first step in this work might be to undertake research into recent successful pathways into farm business ownership, and to then continue to shape program delivery around the pathways this further research identifies. There is already a significant body of work undertaken in this space by organisations identified throughout this report such as Cultivate Farms, Young Farmers Connect, ORICoop, etc. and (as detailed below) any work in this space should be delivered in ways that support those organisations, and draw on that existing expertise while enabling those organisations to continue building their capacity to deliver outcomes in this space.

Partner with providers to deliver outcomes that facilitate farm business ownership skills and peer learning networks

There are a range of existing service providers available for Agriculture Victoria to partner with in order to build the skills and networks needed for farm business ownership. These include organisations such as Cultivate Farms, Young Farmers Connect, and a number of rural entrepreneurship organisations. This would align with existing partnerships with industry bodies such as Dairy Australia and their equivalent, along with individual skilled consultants. Farmer incubator models offer significant benefits in this space, as do context-specific peer-learning networks.

Funding for pilot projects, or bolstering existing programs, that enable a cohort of participants to progress through a number of these opportunities would present the opportunity to skill up a section of the farming community. It also offers the opportunity to *evaluate* a number of these programs and determine which of them has the greatest impact for different cohorts in achieving the outcome of supported, skilled farm business ownership.

Case study: Cultivate Farms - farm match-making services

Cultivate Farms is a Victorian-based social enterprise that works across Australia to connect aspiring farmers with investors and farmers looking to transition to retirement .[130] They take a solutions-based approach to address barriers to farm-business ownership with networking and relationship building being core components of their farm match-making services. Cultivate Farms now have over several thousand members and are focused on helping farmers find and enable shared ownership arrangements that suit each individual context.

They recognise equity as the main barrier for the next generation of farm business owners

[130] For more, see: https://www.cultivatefarms.com/

therefore they focus on enabling experienced farmers to get business ready to pitch to investors and exiting farmers to back their business idea. In mid 2018, Cultivate Farms had their first farm-match success with the Freeland Pork business established with a 50-50 ownership between a farming family and investors.[131]

By adopting frameworks from the entrepreneurial sector, Cultivate Farms has developed a set of resources and programs for aspiring and ageing farmers. Cultivate Farms have designed the Cultivator program[132] (10 weeks) and Mastermind program[133] (12 months) to help the next generation of farmers with mentorship and acquisition of business skills to develop sound business plans to get them pitch ready for investors. They have also developed the Cultivate Community program[134] which is focused on aspiring farmers leading regional community activation. Helping aspiring farmers focus on and seek investment for their business model is central to the work of Cultivate Farms.

Cultivate Farms has experience in facilitating and mentoring ageing farmers to assist them in working through contextualised options and steps for their retirement and future planning; whether that may be how to age on-farm, maintain a level of ownership or involvement, vendor finance and more. Cultivate Farms assist in match-making based on the needs of an ageing farmer, and those of an experienced aspiring farmer seeking a business ownership opportunity.

Provide livelihood support that enables on-farm knowledge transfer through farm apprenticeships, mentoring

Provide income support for meaningful on-farm employment pathways to enable and foster knowledge transfer and skill development among the next generation of farmers. This type of support could be established as a step in a structured journey towards farm business ownership. There are very few people that can take on months or years of unpaid study, training or volunteering to gain adequate farming skills, especially those in the 25 - 40 years of age group who have living costs that must be covered.[135] Income support for on-farm employment pathways would also be likely to improve the equity and diversity of farmers. Adopt targeted approach with improved incentives for existing farm business operators to participate in existing programs such as the Jobs Victoria Fund[136] such as increasing the subsidy amount available and/or timeframe beyond 12 months. Draw on stakeholder feedback and learnings from the 2021 Federal Boosting Apprenticeship Commencements

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[131] For more, see: https://www.cultivatefarms.com/blog/1yearofFreelandpork
[132] For more, see: https://www.cultivatefarms.com/products/cultivator
[133] For more, see: https://www.cultivatefarms.com/products/mastermind
[134] For more, see: https://www.cultivatefarms.com/p/img/pdf/The-Cultivate-Communities-Guide-Cultivate-Farms.pdf
[135] Expert panel adviser, research review
[136] For more, see: https://business.gov.au/grants-and-programs/Jobs-Victoria-Fund

(BAC) scheme which provided a 12 month wage subsidy to businesses. This scheme was noted by one research interviewee[137] as being extremely helpful however the subsidy wasn't prorated therefore she could not afford to continue employing her apprentice beyond the one-year subsidy.

Provide business support packages to young farmer businesses

In the same ways that 'Boost your business' types of models are applied elsewhere for small and medium business enterprises, support packages could be made available for young farmers (again, whether or not they have land). Where small business supports already exist, agricultural business specialist providers could be included as part of the available provider networks. Again, these opportunities could be marketed in a more cohesive and accessible way.

Cross-cutting recommendations

This report had the scope of evaluating models of pathways to farm business ownership; however, there are a number of actions that can be taken that either cut across all of these models, or which sit outside of a particular model. This section highlights a number of these cross-cutting recommendations.

Take a national leadership role in addressing barriers for new farm entrants

The precipitous rise in farmland prices over the last five years means that it is almost impossible for new entrants to break into land based food production without significant capital. This is a structural issue that requires a national and bipartisan approach, starting with a policy commitment to greater access to farming for young people beyond those lucky enough to have family farm succession opportunities.

A starting point could be a proposal to the Agriculture Ministers' forum for a policy commitment to support pathways for new entrants to farming and an inquiry that surfaces collaborative policy options in the short term (quick wins) and medium-term (structural reform). This scoping report could inform the national agenda item and terms of reference for any national inquiry.

Facilitate access to finance

Access to finance for capital and business costs is a key challenge for young farmers. While financing schemes for agriculture exist in Australia, they may not meet the needs of entrant farmers. One farmer interviewed stressed the first 12 months as being critical to business sustainability and therefore needing better start up support as, in his experience, "whatever

[137] Egg producer, research interview

you make you need to put back into the business".[138] He envisages government start up help to young farmers being similar to a HELP debt, that a farmer can gradually pay off. One adviser also referenced a similar concept of reviewing whether a dedicated small-farms startup program could be offered as an extension of the NEIS program.[139]

A key challenge for accessing finance is lack of equity, which can make commercial lending unviable for young farmers seeking to finance land or business loans. While there are financing schemes for farmers to access credit for agricultural businesses, these are currently largely partial loans which require the balance to be financed by a commercial lender. Some models, such as those championed by Cultivate Farms, look for ways to match aspiring farmers with partners who can provide equity in partnership with the new farmers - there is scope for government to explore trialling some of these models by engaging the service providers proposing new models.

Young farmers have expressed concern that without equity to back the commercial loan, they may not be able to meet the requirements in place for loan approvals or be eligible for government financing schemes.[140] Additionally, financing mechanisms to support young farmers may have thresholds below actual needs. The recently announced plans for the Future Farmer Guarantee offers to act as guarantor for 40% of a loan up to $1million, however it is unclear whether many young farmers will be able even with this support to meet the equity requirements for the remainder of the loan. One farmer said that financing loans is still challenging even though he has built up equity through share-farming because the bank will only provide a 50% loan based on his $1 million worth of stock (approximately 300 cows).[141]

The Queensland First Start Loan offers concessional finance for up to $2 million, however the loan scheme requires 50% equity unless there is joint financing with a commercial lender or vendor finance. These levels of equity and stability of income to prove the ability to pay off the loans required for land purchase can be difficult for starting farmers to achieve. The Queensland First Loan does however consider stability of off-farm income as an offset against equity requirement, offering potential for a staged transition to financing for farm business capital.

Vendor financing is another option for facilitating access to credit for entrant farmers, enabling young farmers to access credit outside of commercial lenders. Like other options identified in this report, developing vendor financing options for young farmers would require

[138] Market gardener, research interview
[139] Small scale farming expert, research review
[140] Orchardist, research interview
[141] Dairy share-farmer, research interview

promotion, matchmaking, and access for legal advice, and could be facilitated by the support for these mechanisms recommended above.

Tax breaks

Currently in Victoria, stamp duty exemptions apply for land purchases up to $750,000. However, land purchases for farming can significantly exceed this threshold. In order to enable young farmers to purchase land of a scale and characteristics that may enable a commercially viable farm business, the full value of farmland could be made eligible for stamp duty exemption for young farmers. One option may be to apply a stamp duty exemption for young farmers, however, this policy could risk creating perverse outcomes in terms of higher land prices.

Young farmers are currently required to be 'normally engaged in a substantially full-time capacity in that business'.[142] This requirement should be relaxed to enable part-time participation in the business, in recognition of the challenging nature of financing a farm start-up - most young farmers will need to bring in off-farm income to support their business and may take a significant amount of time before they can generate enough income to sustain full-time employment.

Ensure the Agriculture Victoria Small-scale and Craft program supports young farmer businesses

The 'Small-Scale and Craft'[143] funding stream has provided valuable support for many young farmer businesses. It currently facilitates a variety of outcomes, and care should be taken to ensure it supports young farmer business pathways. Consideration should be given to potential additional opportunities targeting young and new farm business ownership. Victoria is the leading state for small scale farming as an alternative pathway into agriculture with a strong, existing community of practice. Victoria is well-positioned to continue building this sector due to the close proximity to major markets and harnessing the paddock to plate movements within regional areas.[144]

Engaging with more young farmers

One interviewee noted that "*Farm lobby groups are strong and powerful but there is a lack of representation / body advocating for young farmers and across all scales and sectors of*

[142] For more, see: https://www.sro.vic.gov.au/young-farmer-duty-exemption-or-concession
[143] For more, see: https://agriculture.vic.gov.au/support-and-resources/funds-grants-programs/small-scale-and-craft-program
[144] Academic, research interview

agriculture. There is a need for a body with the political nous to advocate to the Victorian Government".[145]

For some commodities research participants felt there was value in connecting with their levy body, but often this could be improved in meeting young farmer needs. Most young farmers felt the Victorian Farmers' Federation could better meet their needs; the VFF has the opportunity to respond to this gap and design programs that do meet young farmer business owner needs, and play an advocacy role for this sector.

Another interviewee specifically told us about the lack of advocacy for the small scale sector in comparison to the larger farming system. Services and enterprises that are set up to support large farming businesses and enable cooperation at this scale whether it be through transport, experts or lobby groups are not evident in the small scale sector. The interviewee feels that the small scale sector is siloed with a lack of collaboration across the farming system, except for the "high fives at the farmers' markets".[146]

While the advocacy opportunity is one for those outside government, there remains an opportunity for government to broaden its engagement with young farmers. The Young Farmer Advisory Council have an appetite to help shape this space, which could include opportunities such as regional forums, roundtables, webinars, surveys, conferences, and more.

There is also a significant opportunity to work with partners already in this space to engage with the existing networks of young and new farmers that are convened by the diversity of NGOs and advocacy bodies that have various interests in pathways for young farmers. Examples include Australian Food Sovereignty Alliance, Farmer Incubator and Young Farmers Connect from the small farming sector, issue-specific groups such as Farmers for Climate Action, levy groups, and the VFF.

Scale-appropriate regulation

Young and first-generation farmers are likely to operate at smaller scales, particularly as non land-owners. However many regulatory requirements and associated fees do not account for this difference in scale, and can create significant barriers to entry for new farmers. This is exacerbated by the lack of recognition of diversity and value of the small scale farming sector.

The 2018 Planning for Sustainable Animal Industries reform process offers an example of how scale-appropriate regulation can be incorporated to support small-scale operations, to the benefit of entrant farmers. The engagement and responsiveness around scale-appropriate adjustments to these regulations supported the maintenance and future development of

[145] Philanthropist, research Interview
[146] Organic market gardener, research interview

small-scale, diversified animal agriculture, and demonstrates how a strong consultation process can support regulatory adjustments to assist new farmers.

Government assisting in guarantee of loans for land purchase or investment in farming enterprises

There may be a role for the Victorian Government in shared equity. For example a scheme analogous to the Victorian Homebuyer Fund shared equity scheme (up to 25% of purchase price). However, it is possible that this could result in perverse outcomes (e.g. higher land prices), and closer economic modelling would be required to avoid this.

Change the definition of new and young farmer to increase eligibility

In a number of cases, young or new entrant farmers felt blocked from accessing supports. Changing some of the definitions around new and young farming would enable many more genuine young and new entrant farmers to access supports.

Age eligibility should be raised to 40: there was a strong sentiment among farmers interviewed that given the extent of barriers now facing young farmers, many would 'be lucky' to own a farming business or land by the age of 40.

In some cases young farmers are currently required to be 'normally engaged in a substantially full-time capacity in that business'.[147] This requirement should be relaxed to enable part-time participation in the business, in recognition of the challenging nature of financing a farm start-up - most young farmers will need to bring in off-farm income to support their business and may take a significant amount of time before they can generate enough income to sustain full-time employment.

Enable greater housing provision to facilitate shared use land

The lack of available and affordable housing interrelates with all modes of alternative farm business pathways: leasing; share farming; trusts and covenants and cooperatives.

Several research participants have highlighted barriers in planning regulations to providing sufficient housing for staff or farmers farming on shared land. There are potentially sensitive housing developments and agro-ecological farming models that are consistent with planning policy objectives but are nonetheless blocked by the 40 hectare subdivision limitation.
The recent amendment VC202 to the Victoria Planning Provisions helps to address the need for housing on farms through planning permit exemptions for farm staff housing. However the exemption from a planning permit applies only to lots of over 40 hectares, while the need for additional housing to enable farm leases or other forms of land-sharing can apply to significantly smaller lots. For example, the Harcourt Organic Farming Co-Operative comprises

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[147] https://www.sro.vic.gov.au/young-farmer-duty-exemption-or-concession

30 hectares and five enterprises. While not all lessees aim to live on-farm, lack of accommodation can limit leasing on small-to-medium as well as large scale farms. In addition, the planning amendment specifies that such accommodation is intended to be a temporary residence. Allowing for permanent housing is key for sustainable, longer term farming arrangements. The following areas of work are recommended for consideration:

- Build on previous programs and data to continue incentivising those with existing housing on farms to get infrastructure to a liveable standard for farmers / farm workers, in regions with housing shortages.
- Invest in appropriate development of housing on farmed land: The New York Farmworker Housing program, first authorised in 1995, provides no-interest loans to farmers to assist in the rehabilitation, improvement or new construction of housing for farmworkers.[148]
- Incentivise the use of existing second dwellings for farmer housing. Many land-owners with a 'workers cottage' have turned existing second dwellings into tourist accommodation, which competes with housing needs for someone living or working on the property.
- Explore options for changes to planning provisions to allow for sufficient housing to be built on farms to enable multiple legitimate small scale farming households.

Target outreach to ageing farmers around alternatives to family succession

Availability of land through these mechanisms also depends on how and when exiting farmers plan for farm succession, their willingness to explore these options, and building connections between exiting and entrant farmers outside of family succession.

Many ageing farmers do not begin succession planning until relatively close to retirement, can be reluctant to fully retire and hence make succession plans, or can be reluctant to take advice on such planning. Further, many ageing farmers expect to be dependent on farm income or capital from selling land even after retirement, or wish to continue living on-farm, which can further complicate their approach to succession planning[149].

Targeting outreach to ageing farmers is recommended, using case studies and information on options and their benefits, to promote early consideration of the full range of options for their exit, many of which can address the issues above. This outreach would support uptake of these mechanisms and encourage landowners to engage with the match-making and advice services recommended in this report.

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[148] For more, see: https://hcr.ny.gov/farmworker-housing-program-fwh
[149] Falkiner et al 2016 'Current practices in Australian farm succession planning: Surveying the issues' *Financial Planning Research Journal* 3(1)

The 'socialisation' of a successor into alignment with values and practices of the farm is also important and is supported by longer-term relationships and good communication between exiting farmers and their successors[150].

It is therefore also recommended to foster opportunities for intergenerational networking and relationship-building more broadly in the farming sector, to support greater sharing of knowledge, ideas, and experiences on farm ownership pathways and the options available to each cohort.

Extend capacity and marketing of Agriculture Victoria opportunities to reach additional cohorts

Many of the programs offered by Agriculture Victoria are incredibly helpful, but they aren't always reaching some of the cohorts of people attempting to enter farming. Improving the marketing of those services to a broader range of farmers, helping farmers across commodities and scales understand the support that's available, and making it easier to navigate to those supports is an easy win to deliver significant benefit from existing assets and programs.

Expand the program stream supporting young farmers

The Young Farmer program of work including Young Farmer Scholarships, a Young Farmer Advisory Council, and more has played a positive role in supporting young farmers into business ownership pathways. Continuing the program is critical, and government should expand it to enable more delivery of pilots and actions stemming from reports such as this.

Working with industry and media partners to develop a series of case studies of successful stories of alternative pathways to farm business ownership is one example suggested by participants to highlight diversity and the importance of partnerships.

There is also an opportunity to enable the Young Farmer Advisory Council to participate in shaping delivery of a program of works that respond to the need that they have identified, and that have been subsequently identified by work such as this piece of research.

Areas for further work

Addressing equity in access to pathways

More tailored research is needed to understand some of the barriers that specific cohorts of potential farm business owners face when attempting to take on farm business ownership, or to access some of these models that may rely on social capital and perpetuate structural barriers to entry such as racism or sexism. Co-design processes that work to understand and

[150] ibid.

design around some of the barriers cohorts face as a result of gender, race, indigeneity or other factors is needed.

Understanding successful pathways

There is a low level of understanding of what is actually working as pathways to farm business ownership. A longer-term, larger scale collaborative research project would be needed to understand more broadly how people are entering farm business ownership, and how those conditions can be transferred. In some cases this type of research has informed the business model of organisations operating in this space, but is held as proprietary information. Many of the organisations mentioned throughout this report indicated a strong appetite to work with government on these issues if resourcing were available.

Understanding the value of small- to medium-farming enterprises to Victoria

There is a need for an evidence base around the significance of family farms and small- to medium-scale farming enterprises for Victoria's economy and regional wellbeing. In many cases, young farmers are competing against multinational companies. If Victoria wants an agriculture sector that has a human-scale to it, and therefore in turn thriving and resilient regional economies and communities, then it must prioritise small- to medium-scale enterprises, and their support sector. This then needs to be understood as an agricultural policy priority.

> *"You only protect what you revere and we don't revere it so there is nothing to protect and we've been really happy in Australia to go with simplicity and the loss of the small scale farming to corporate ag for the benefit of the GDP is the result"*[151]

Land-use analysis of prime agricultural land

Land use analysis of prime agricultural land could inform policy justification for a new 'high quality farm zone' where a higher rezoning windfalls tax is applied to deter conversion into, for example, hobby horse farms occupying prime land.

Advocate for better data on the impact of foreign investment in agriculture

Increasingly there is a pattern of large farms being structured into portfolios for purchase by both domestic and international capital. There is also a strong perception from young farmers that this is an issue in their access to land, and that there is a role for government to manage this competition.

The Victorian Government could advocate for changes to the way the Foreign Investment Review Board (FIRB) collects and reports on data to assist in monitoring patterns of land

[151] Small scale farming expert, research interview

ownership that impact on barriers to new entrants and could better inform policy. For example, separating agriculture from forestry and fishing in the FIRB annual report and providing for more detailed analysis of the types of agriculture invested in, with a longer time frame so that historical trends can be more closely analysed for appropriate policy responses. One such policy option is an absentee land tax surcharge for investments over $2million, similar to what has been explored in residential investment.

Alternatively, if government is confident that foreign investment isn't playing a competitive role with young farmers' access to land and business opportunities, there is an opportunity for government to find ways to share that information and confidence with young farmers.

Conclusion

Finding new pathways for young farmers into business ownership can feel like an overwhelming, multifaceted problem. This report breaks down these challenges by focusing on several viable ways forward that can make a difference and secure a variety of options for the next generation of farm business owners. What this project and report have also made clear is that there is an incredible level of expertise and passion for driving this change in Victoria. The strong leadership demonstrated from government in supporting the Young Farmers program, and commissioning pieces of work such as this, is matched by an ecosystem of service providers, experts, and farmers - young and not so young - all keen to participate in new solutions. Victoria is fortunate, and enviably placed, to draw on this aligned and complementary community of ambition, and to take further action in this space and make a real difference to the future of agriculture and agricultural livelihoods in this region.