

Growing into Succession

How one farmer positioned his business for the next generation

For more than three generations, John (not his real name) and his family have been farming in Ontario. They own and operate 1200 acres and in recent years have diversified their crop mix. With a son who recently graduated from agricultural college and several other children who want to join the family farm business, they wanted to farm more land but lacked access to capital to buy the additional land they needed.

Like many operators who farm at a large scale, they were already carrying a significant debt load and didn't have a desire to take on more. They didn't want to lose any control of their operations either, which is what happens with some joint ventures. So, they partnered with Bonnefield, a farmland investment and property management firm that provides land lease financing to Canadian farm operators.



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The Agreement

In a modified sale-leaseback agreement, Bonnefield bought 500 acres of land from John and leased it back to him using Bonnefield's revolving lease structure. John also chose to prepay all 10 years of his lease with Bonnefield using some of the proceeds from the sale of the land, thereby eliminating any cash drain from periodic rental payments on his farmland. According to John, the benefits of his relationship with Bonnefield are many.

Cash Flow

With the sale of land, his balance sheet is healthy – cash is flowing – and he has a peace of mind he hasn't experienced in years. By choosing to prepay his lease with some of the proceeds from the sale of his land, John's business will not have a cash flow drain from annual rental payments for 10 years.

Stability

By negotiating a prepaid lease for a minimum of 10 years (with potential additional renewals beyond 10 years), John doesn't have to worry about inflation affecting rental fees and his cash flow. He also knows he will have secure access he needs to his land and can focus on his farm operations.

Buyer's Advantage

By having cash in hand from the sale-leaseback with Bonnefield, John will be able to move quickly to purchase additional property when it becomes available. With that additional land he will continue to increase the scale of his farming operations and achieve the efficiencies he needs to continue to improve his profitability.

Long-term Security

The revolving "as-if-owned" lease gives John confidence to plan for the future and to make appropriate investments to accommodate a future generation and his strategic plans.



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As part of the agreement with Bonnefield, John has agreed to adhere to Bonnefield's Standards of Care, a set of sustainable best practices that help to maintain the integrity of the land. For John and his family who are responsible and progressive farmers, the Standards was a checklist of what they were already doing.

This agreement with John and his family is just another example of how Bonnefield partners with progressive, growth-oriented Canadian farmers to provide farmland lease solutions that help them grow, reduce debt and finance retirement and succession.

GOAL Improve cash flow, retirement planning, farm succession

SOLUTION Sale-leaseback of currently owned land

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Bonnefield is Canada's only national farmland investment management and property management company. Our goal is to protect the sustainability of farmland for farming while increasing its long-term value. We work with Canadian farm operators to help them diversify their assets and grow without debt while promoting good farming practices and wise business choices. We provide individuals and institutions with the means to invest in and hold farmland for long-term capital appreciation and income. Bonnefield is headquartered in Ottawa, Canada with offices in Toronto.

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