



05/04/2020 - News

Area One Farms — Keeping the farm in the family

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Area One Farms operates private equity funds in the Canadian farmland sector. They partner with established farm operators to acquire off-market farmland, enabling family farms to expand and improve their financial returns while incorporating sustainable practices. This interview with CEO and Founder, Joelle Faulkner, has been edited for length and clarity.

Walk us through the Area One Farms business model. How does it generate income?

Area One Farms partners with Canadian farmers — primarily family farms — that are looking to expand. Usually we find adjacent property for sale, often owned by retiring farmers, and we help them buy it. We become, for a limited period of time, an equity owner

in the new, expanded farm.

Our annual source of income comes from farm production — e.g. from wheat, canola, oats, and other crops. We first help pay for all expenses, and then we distribute earnings to investors. Another main part of our income is improving land value, so that the land is worth more than the sum of the investments made in it. Our investment term is a minimum of 10 years, and so by the end of that term, the improvements result in a higher value. Historically, Canadian farmland has always increased in value, usually due to technological developments that make the land more productive. Improving the land makes that value gain even larger.

I'm from a farm in southern Ontario, and my farm, like others in Ontario and Quebec, is generally well developed. But in other regions of Canada, it's quite different. There are farms that went out of production because locals took employment instead in mines or mills, and so the farm became overgrown with brush, scrub and trees — the latter having been logged, leaving slash-and-burn piles. We grind up that wood and incorporate it into soil, and add drainage which removes the excess moisture. In western Canada it's often surface drainage, and in northern Ontario it's often underground. This increases land productivity, and ultimately both the annual income generated and the ultimate land value.

Area One Farms helps farms scale. To what end? How is this helpful to farmers, their families and to Canada?

Historically, farms have generally been handed down within families — typically to the eldest son. Other children would get work in other areas, and receive family support in some other form.

If you take a farm that once supported one family, and then divide it among three children and their families, you need a higher annual income to support everyone. So we're helping with that intergenerational transfer, ensuring that the farms can scale and create increased revenue and, ultimately, higher land values.

Land improvement is very helpful to Canada because it increases the economic productivity and local GDP. Especially now, as other industries need to be shut, agriculture is a stable way to deliver valuable goods from Canada, and more land to do that on means more money for local communities.

You've been successful in earning trust and respect with local farming communities. Why is it important to nurture these relationships?

We think local partnerships are critical for investors and for the local community. Our model is unique. We measure success in terms of the number of our partners that have increased living wages, increased annual revenue, and the number of families that we partner with.

Canadian farms are exceptionally efficient. They are typically fourth-generation owned and so they have lots of knowledge, strong local relationships and are well resourced with machinery and other technology. We believe communities are best served when that knowledge and those relationships are retained locally.

You can compare our model to one of the possible alternatives, which is to rent out land. What we find is that we create higher land value. People are careful about protecting the land and building up its resilience when they remain owners, as is the case in partnership. That can mean many things. There is more carbon in the soil, making it of higher quality, and there is more biodiversity.

How would the strategy of Area One Farms help Canada's sustainability efforts? Can it play a meaningful role in addressing climate change?

Answering this question depends on what role farming will play in the bigger systems that are part of addressing change. In agriculture, can we lower our emissions? Can we increase our carbon sequestration?

Focussing on the former depends on making machines less carbon intensive as well as replacing carbon-heavy nitrogen fertilizers. There's a lot of research happening right now on how we can do this.

Canadian farms are quite good at carbon sequestration. The best way to do this is to keep the roots in the soil, and to not till it — to not turn it over. A lot of western Canada, and all our farms there, are "no-till" farms. We also know that regenerative agriculture has great promise — the idea of planting multiple crops in the same field and planting in such a way that certain crops provide nitrogen to the others. This leads to lower disease rates, higher uptake of nutrients, and reduced need for nutrients from external sources.

Where we can help is being effective at transferring knowledge, and doing so quickly. The science is focussed on how to reduce carbon emissions and increase sequestration. The missing knowledge is on the procedural side, for example, if you're growing multiple crops in the same field, how does crop insurance work? How do you separate out your yields so that you get enough credit for what you're growing? Otherwise your risk management system will fall apart. We can help connect learning on these important issues from one farm to the next.

How has the fund run by Area One Farms evolved since its creation?

When we started, we were concerned with succession planning — how could we help a family farm expand so that it could support multiple families? There were many measures of success that at that time we hadn't discovered — for example, the number of living-wage employees, and the numbers of families incentivized to stay in farming and create wealth. What we also didn't anticipate was the big opportunity represented by land reclamation (transforming historically farmed land that has been overgrown back to arable), which has now become half of our business.

Our land transformation work is really well aligned with government mandates, because it's a great absorber of labour in areas that otherwise fall into the boom-bust cycles of mining and other resource extraction industries. Ontario and Manitoba have both created programs to support land improvement, and Alberta looks like it will do the same.

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