

BC AGRICULTURAL FINANCIAL HEALTH PROJECT

Farming at the Edge

*The Financial Health of British Columbia's
Commercial Agricultural Sector*

A Report Commissioned by
The BC Agriculture Council
&
BC Dairy

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Executive Summary

In June 2025, Statistics Canada reported a \$457 million net loss for British Columbia's agricultural sector in 2024. That figure is real, but it describes the wrong thing. Almost the entire loss is generated by the roughly 75% of BC farms that operate below \$100,000 in annual revenue — operations that are not, in any economic sense, commercial businesses. Once they are set aside, BC's 4,100 commercial farms turn a combined operating surplus of approximately \$770 million. While the sector is not collapsing, it is more financially fragile than that of any other major farming province in Canada.

The clearest expression of that fragility is what we call the missing middle. When we talk about commercial farms in the province, we are focused on a relatively small number of business. 620 operations generate more than \$2 million in annual gross sales. They make up 68% of all BC farm revenue. Then there are the mid-scale farms: 1,150 operations that generate between \$500,000 and \$2 million in annual gross revenue from farming. This is the cohort on which the sector's future most depends, and it is contracting rather than scaling. These farms are too large to be insulated by off-farm income and too small to absorb cost shocks the way the largest operations can. The structural pressures documented in this report impact this mid-sized group of farms first and most impactfully. Every recommendation that follows is justified, above all, by its effect on this group.

BC's commercial farms face a particular set of high operating costs. These high-cost expense categories are caused by four specific inputs — feed, labour, interest, and rent. Two of these originate outside the farm gate, in Prairie freight economics and an expensive urban labour market. The other two — interest and rent — are the same constraint reaching the income statement by two routes: the price of BC farmland, paid once as the cost of debt taken on to own land, and again as the cost of renting land that ownership has put out of reach.

Beneath the cost story lies a balance sheet that masks it. BC agriculture holds roughly \$57.4 billion in assets but earns a return on those assets of approximately 1.1%. Equity has grown through land appreciation while operating cash flow has not, leaving a sector that is asset-rich, cash-thin, and carrying the fastest-growing farm debt in the country, with no provincial lending backstop.

The report closes with six policy directions, sequenced by horizon. The immediate priority is farm classification reform — a low-cost administrative change that corrects the statistical distortion and lets every other program be targeted. Medium-term measures recalibrate existing programs and build coordinating capacity: Business Risk Management reform, agricultural labour coordination paired with financed automation, and a cross-sector feed-cost offset. The longer-term, heavier-lift measures build new institutions and federal tax tools: provincial capital infrastructure, and an Agri-Gifts farmland-preservation program alongside a maintained Agricultural Land Reserve. Read in sequence, they form a coherent response to the fragility of the commercial sector and, above all, to the mid-tier on which its future depends.

Beyond the Headline

In June 2025, Statistics Canada reported that British Columbia's agricultural sector had recorded net losses of \$457 million in 2024. The figure moved quickly through the provincial press, into political discussion, and into the public's general impression of where farming in BC stands today. That report missed a critical point: the sector's aggregate loss was the result, almost entirely, of the inclusion of the smallest non-commercial operations in the calculation.

Stripped of those sub-commercial operations, BC's commercial farms turn an operating profit of roughly \$770 million. But they earn it with the thinnest financial resilience of any major farming province in Canada — and the mid-sized farms at the sector's core are contracting rather than scaling. That contraction, not the headline loss, is the finding this report is built around.

The larger story behind these numbers is even more concerning; the ongoing inclusion of non-commercial operators in the province's agricultural statistics obscures the reality that BC's producers are facing. When compared to agricultural sectors across Canada, many of BC's producers see lower margins, greater reliance on off-farm income, rapid debt growth and lack of provincial support through targeted financing programs.

This report picks up where Statistics Canada left off. The project's analysis integrates seven Statistics Canada tables — covering farm operating revenues and expenses, farm family income, balance sheet structure, debt composition, and farmland values — with the BC Ministry of Agriculture's TIP Benchmark Reports for production years 2020–2023, and the BC Farm Industry Review Board's Public Accountability and Reporting Program summaries. The project identified trends across the sector by calculating expense categories as a percentage of Gross Farm Income each year over the past decade. This allowed for analysis of cost pressure changes over time and for comparison against national and provincial benchmarks.

We derived a commercial threshold of \$100,000 in annual operating revenue empirically as an important metric: across virtually every BC commodity sector, this threshold marks the discrete break point below which average operating margins are negative and above which they are positive. The analysis is informed by cross-provincial comparisons against Alberta, Saskatchewan, Ontario, Quebec, and the national average.

What the report finds is that 75% of farm entities in BC operate on a sub-commercial basis. Including the sub-commercial and commercial farms in the same analysis significantly changes how we understand the sector. Sub-commercial farms generate all of the sector's losses at the aggregate level, but as a group these operations account for only a small share of the province's agricultural output. There are only 4,100 farm operations in BC above the \$100,000 revenue threshold and the distribution is heavily concentrated at the top: 620 operations in the \$2 million-and-over class generate approximately 68% of all BC farm revenue. The 1,150 mid-sized commercial farms in the \$500,000 to \$2 million revenue range demonstrate the most fragility. The number of operators in this tier have declined and there is little evidence that these

farm businesses are scaling effectively. Without these farms, BC's agriculture sector is poised to suffer more. As a result, this category of farms stand to produce the greatest results from targeted policy support.

When BC's commercial farms are examined on their own terms the picture that emerges is neither the pastoral idyll of BC agriculture as cultural heritage nor the alarmist account of a sector in uniform crisis. It is a more specific, and ultimately more concerning, picture: a commercial farm sector that generates positive operating income but operates with the thinnest financial resilience of any major agricultural province in Canada and a mid-tier within that commercial sector whose stagnation represents the most serious threat to the sector's long-term viability.

Commercial viability exists in BC agriculture — but it is increasingly fragile, and structurally disadvantaged relative to producers in comparable jurisdictions.

Two Populations, One Headline

In 2024, British Columbia's 16,003 classified farms divided into two populations of strikingly different scale and economic character.

The first — approximately 74% of the total, or 11,903 operations — reported less than \$100,000 in annual operating revenue. Every revenue class in this group operated at a collective net operating loss in 2024. Losses are concentrated heavily in the smallest cohort: 6,438 operations report less than \$10,000 in annual revenue, and Statistics Canada suppresses this financial data entirely because revenues at this level cannot reliably be classified as commercial agricultural activity, despite the fact that these farms are included in some sector reports, as with last year's Statistics Canada analysis of BC's agriculture sector.

Table 1. BC Farm Revenue Class Distribution and Operating Performance, 2024. Operating income is net operating income before depreciation and tax.

Revenue Class	Farms	% Total	Op. Margin	Aggregate NOI
Under \$10,000	6,438	40.2%	<i>Suppressed</i>	—
\$10,000 – \$24,999	2,410	15.1%	–52%	—
\$25,000 – \$49,999	1,605	10.0%	–30%	—
\$50,000 – \$99,999	1,450	9.1%	–5%	—
Sub-commercial subtotal	11,903	74.4%	Net loss	—
\$100,000 – \$249,999	1,555	9.7%	9.6%	\$15.8M
\$250,000 – \$499,999	775	4.8%	13.1%	\$29.2M
\$500,000 – \$999,999	655	4.1%	15.7%	\$127.3M
\$1M – \$1.99M	495	3.1%	13.1%	\$125.6M
\$2M and over	620	3.9%	16.4%	\$472.8M
Commercial subtotal	4,100	25.6%	13.2%	\$770.7M

Source: Farm counts, revenue, expense, and operating-income figures from Statistics Canada Table 32-10-0136-01 (Farm operating revenues and expenses), BC, 2024. Revenue Class below \$10,000 from 2021 Census of Agriculture.

The second population — the remaining 25%, or 4,100 operations — reported \$100,000 or more in operating revenue. Every revenue class in this group generated positive net operating income in 2024. In aggregate, BC's commercial farms generated approximately \$770 million in net operating income before depreciation and tax.¹ Measured on the same after-depreciation basis,

¹ This figure represents earnings that include interest expenses, but not any deduction for depreciation, income tax, or repayment of loan principal.

the commercial tier remains positive — on the order of \$380 million in 2024 — so the aggregate loss is a product of the sub-commercial tier and the province-wide depreciation charge, not of the commercial sector itself.

The \$770 million operating surplus generated by BC's commercial farms is an accurate measure of one financial dimension. It is not, however, an indicator of sector health. In fact, BC's commercial farms earn lower margins than equivalents in other Canadian provinces, carry materially higher capital and land costs, and possess less financial resilience to absorb cost shocks than producers in any major comparator jurisdiction. The fragility of the commercial tier is the question this report is built around.

Commercial Viability, Fragile by Design

Operating income, economic resilience, and the difference between them

When BC's 4,100 commercial farms are examined on their own terms, the operating numbers are positive at first glance. The commercial tier generated \$770 million in net operating income before depreciation and tax in 2024, a weighted margin of 13.2% of revenue. By that measure the commercial sector is comfortably positive. But operating surplus is not the same thing as economic health, and for BC's commercial farms — operating in a high-cost, capital-intensive, asset-inflated environment — the gap between the two has become the most important question in the sector's financial story.

What "Net Operating Income" Captures — And What It Doesn't

The headline figure used throughout this report is net operating income before depreciation and tax: total operating revenues minus total operating expenses, expressed as a dollar amount or, as a share of revenue, as the operating margin. It is struck after interest and bank charges — which are counted as operating expenses — but before any deduction for depreciation. It therefore reflects the cost of servicing debt, but not the using-up of capital assets, and it makes no deduction for income tax, repayment of loan principal, family living draws, or the reinvestment needed to carry the business into the next generation. Because depreciation is excluded, a positive figure here is not the same as a profit: a capital-intensive operation — dairy, greenhouse, or fruit — can post a positive operating margin while generating effectively no free cash flow and no capacity to replace its capital base. Depreciation enters through capital cost allowance (CCA), the tax system's depreciation deduction. CCA is reported consistently, which makes it usable across the sector, but it is accelerated and shaped by tax incentives, so in a high-investment period like the past decade it tends to overstate the real economic wear on farm assets. When CCA is deducted, BC's commercial tier still remains positive — roughly \$380 million in 2024, about 6.5% of revenue — but the cushion is thin, and true economic profitability sits between the before-depreciation figure and the after-CCA figure. References to operating margin throughout this report should be read with these distinctions in mind.

Operating Income and Economic Resilience

Economic resilience is the capacity of a farm to absorb cost shocks — feed price spikes, interest rate increases, weather events, regulatory cost changes — without impairing its ability to meet financing obligations, replace capital, or reinvest in the operation. Where operating margin tells us whether the farm is profitable today, economic resilience tells us whether the farm can navigate tomorrow.

By the operating margin measure in aggregate, BC's commercial farms are positive on operating margin. By the resilience measure, they are among the most exposed in Canada. They earn lower margins than peers in other provinces, carry significantly higher capital and land costs, depend on a debt base that has grown faster than any comparator jurisdiction, and operate within a balance sheet whose strength is concentrated in real estate appreciation rather than operating returns. The combination is unique to BC, and it produces a financial profile in which even modest

cost shocks can erode the available cash flow that operating margin appears to suggest is comfortably positive.

Lower Margins Than Peers

Where BC commercial farms underperform Canadian peers, the underperformance is not generic. It shows up sector by sector, with the largest gaps concentrated in the sectors carrying the heaviest capital intensity.

The underperformance is sharpest in BC's most capital-intensive sectors. BC dairy farms' operating margin is 5.4% lower than the national average, driven by feed costs roughly seven points higher as a share of revenue and by interest costs that climbed from 7.4% to 11.1% of gross farm income by 2023. Fruit and tree-nut operations are more exposed still: even the largest cannot consistently post positive operating margins, and their combined interest-and-rent charges rose from 11.7 to 21.1 cents per revenue dollar between 2018 and 2024. Field vegetables sit below the national average as well, with labour costs running roughly five percentage points above the benchmark.

The pattern that emerges from these comparisons is that specific costs are disadvantaging BC farms. BC is not high-cost across the board. It is high-cost in specific inputs — feed, rent, labour, and interest — that affect specific sectors with particular intensity. The next two pages examine these cost structures in detail.

BC's commercial farms are positive on operating margin. They are also among the least financially resilient farms in Canada.

The Missing Middle

If commercial BC agriculture's defining problem is fragility rather than collapse, the cohort where that fragility is most visible is the mid-sized commercial farm.

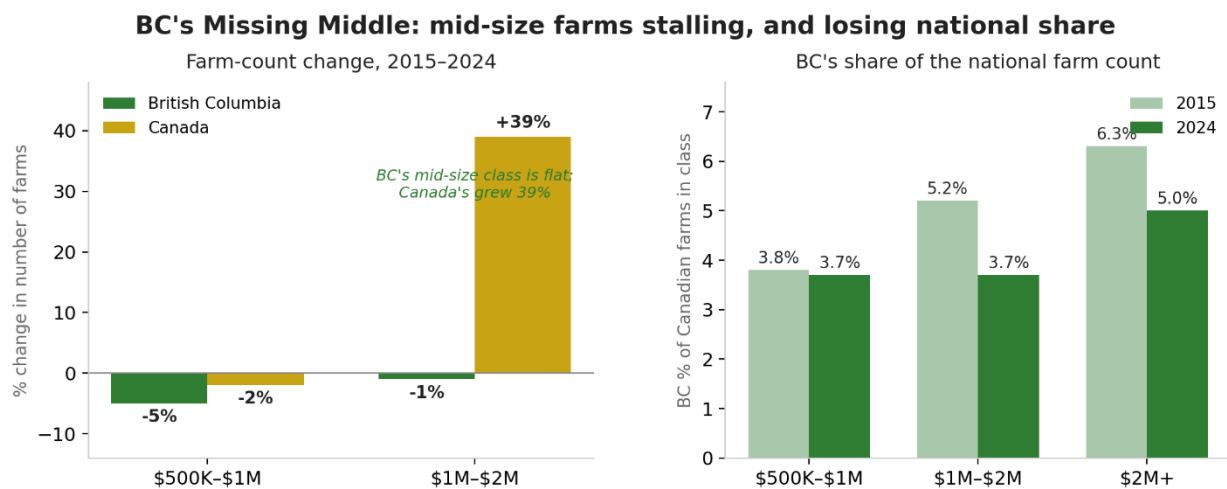
Within the 4,100 operations above the \$100,000 revenue threshold, the distribution is heavily concentrated at the top: 620 operations in the \$2 million-and-over class generate approximately 68% of all BC farm revenue. The 1,150 mid-sized commercial farms in the \$500,000 to \$2 million revenue range are what most industrial classifications would call small and medium enterprises. They are far fewer in number than the concentration at the top would suggest. They also grew more slowly than the large-farm tier over 2015–2024, and in several sectors they carry negative net market income once depreciation is properly accounted for.

Three Patterns of Stagnation

First, the mid-tier is not growing. Between 2015 and 2024, the \$1 million to \$2 million revenue class showed essentially no net farm count growth in BC. The national equivalent cohort grew substantially over the same period.

Second, the mid-tier is below the national trajectory. Where comparable Canadian provinces have produced pathways for \$500,000 farms to scale toward \$2 million, BC has not. The result is a hollowed-out distribution: consolidation at the top, attrition at the bottom, and stagnation in the middle.

Third, the mid-tier is losing money on a market basis. In several sectors — most clearly in dairy — the smallest commercial revenue class is generating negative net market income once depreciation is properly accounted for. These operations remain operationally active and equity-positive, but the cash flow generated by farming itself is not what is keeping them in business.



Source: Statistics Canada, Table 32-10-0136-01 — Farm operating revenues and expenses (farms-reporting counts by revenue class), 2015 and 2024; counts summed across farm types.

BC Dairy as Illustration

The BC dairy sector illustrates the pattern with particular clarity. The 405 BC dairy farms divide across revenue classes from \$500,000 through \$2 million-plus, and the smallest commercial dairy operations — those in the \$500,000 to \$1 million class — post lower operating margins than both the larger dairy tiers and the sector as a whole. The class carries particularly heavy feed-cost exposure and the thinnest buffer against interest rate shocks.

–\$15,000 vs. +\$21,000

Net market income per farm after depreciation: BC mid-tier dairy compared to the average of this class nationally.

Nationally, the equivalent class earns approximately \$21,000 per farm in net market income after depreciation. The BC equivalent earns approximately negative \$15,000. These operations are not failing in the conventional sense — they continue to operate, often positive on operating margin. But they are sustaining themselves through asset appreciation, borrowing against asset appreciation, off-farm income, and government program payments², rather than through operational returns. They are positive on operating margin and depleting in fact.

Why This Matters Now

The mid-tier is a strategically important segment of BC agriculture for four reasons.

- **First, the contraction in farm numbers in the mid-tier and stagnation at the large-tier suggests that BC agriculture is not attracting new entrants, nor is it retaining incumbents.** Rather than scaling, operators are exiting the sector. And we do not see a proportionate growth of large-tier producers that would suggest consolidation or scaling either.
- **Second, the mid-tier is where the sector's structural pressures show up first and most clearly** — sub-commercial farms are insulated by off-farm income and large operations have the scale to absorb shocks, but the mid-tier sits in the precarious zone, large enough to face commercial cost pressures without the scale advantages that absorb them.
- **Third, it is where the most achievable policy returns lie.** Moving a \$500,000 farm toward \$2 million is a realistic ambition; lifting a sub-commercial farm to commercial viability generally is not.
- **Fourth, it is where succession risk is concentrated.** Many of these farms are at a stage in their owners' lifecycle where exit decisions are approaching, and at current land values the financial logic of selling increasingly dominates the financial logic of farming.

² In dairy, these payments are temporary federal compensation to supply-managed producers for the market-access concessions granted under CETA, CPTPP, and CUSMA/USMCA. They are time-limited and scheduled to conclude in 2029.

Why BC Costs More

Four structural cost disadvantages, unique to BC's operating environment

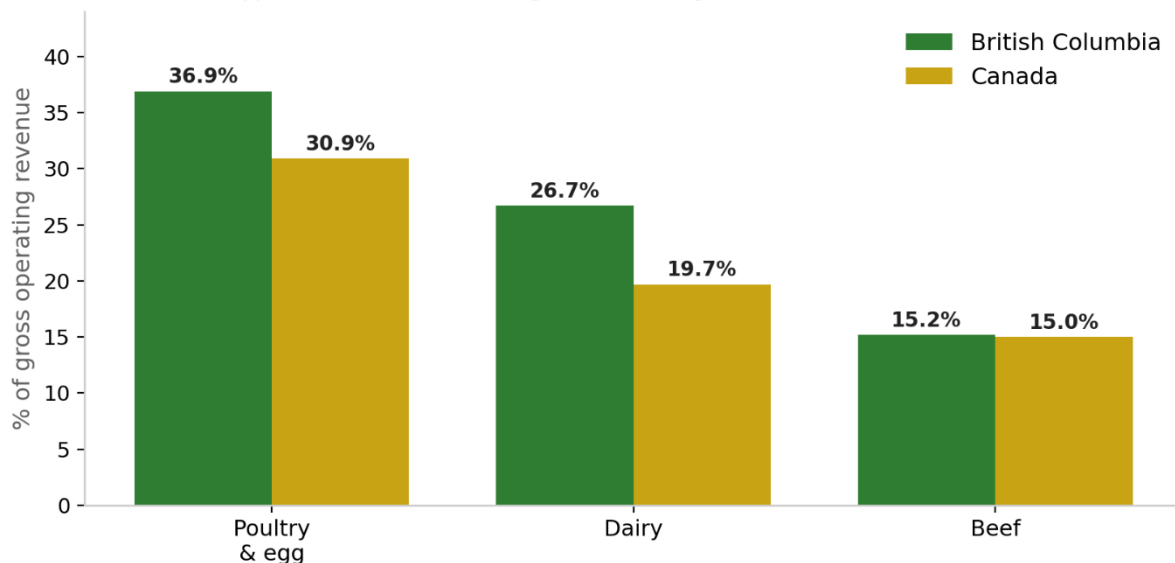
The cost pressures facing BC's commercial farms are not generic to Canadian agriculture. They are specific to BC's geography, labour market, and land market — and they appear with materially different intensity than they do in any comparator province. Four structural disadvantages dominate. Two of them, feed and labour, originate outside the farm gate, in the freight economics of the Prairies and the wage market of a major urban region. The other two, interest and rent, originate in a single place: the price of BC farmland. They are the same constraint reaching the income statement by two different routes, and the land section that follows returns to them directly.

Feed

BC does not produce feed grain at the volumes its livestock and poultry sectors require. Feed grain comes in from the Prairies or, in some cases, from the United States, and arrives with a freight premium built into BC farm operating costs. No other major Canadian agricultural province imports feed at this scale. Alberta and Saskatchewan produce their own feed; Ontario and Quebec source from much shorter supply chains. The disadvantage is largest, and most precisely measurable, in dairy.

BC's feed costs run higher in dairy and poultry

Feed, supplements, straw & bedding as a share of gross revenue, commercial farms, 2024



Source: Statistics Canada, Table 32-10-0136-01 — Farm operating revenues and expenses; commercial farms (\$100,000+ revenue), 2024.

\$183 million

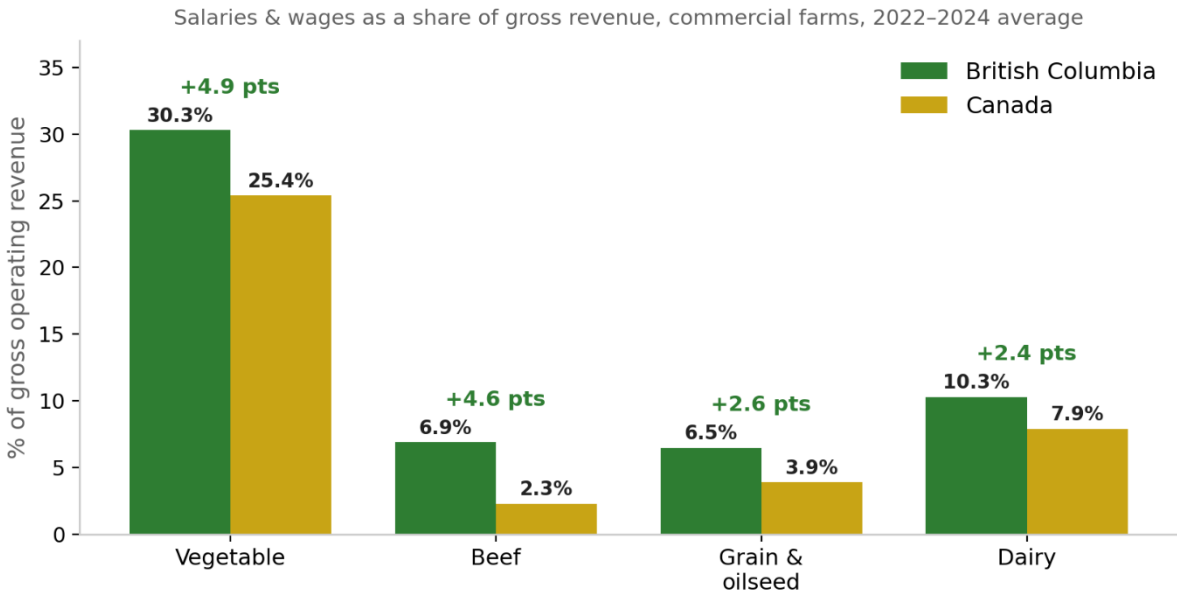
Annual feed cost gap between BC dairy and Ontario equivalents at the sector level. Approximately \$452,000 per farm.

BC dairy farms spend 26.7% of revenue on feed, compared to 19.7% nationally — a seven percentage point gap that, at the per-farm level, translates to approximately \$452,000 more in annual feed expenditure than an equivalent Ontario operation. The same dynamic operates with smaller but material effects in poultry, beef, and swine.

Labour

BC's labour cost disadvantage is concentrated in specific sectors rather than universal across them. As of June 2026, BC's general minimum wage is \$18.25 per hour — higher than Alberta's, higher than Saskatchewan's, and higher than Quebec's. Between 2017 and 2023, BC's general minimum wage rose 37.9%, while the legislated minimum piece rate for hand-harvesters rose 11.4%.

BC's labour-cost disadvantage



Source: Statistics Canada, Table 32-10-0136-01 — Farm operating revenues and expenses; commercial farms (\$100,000+ revenue), 2022–2024 average.

+5.0 pp

BC field vegetable labour cost as a share of revenue, above national average. The largest sector-specific cost gap of any input category in any commodity.

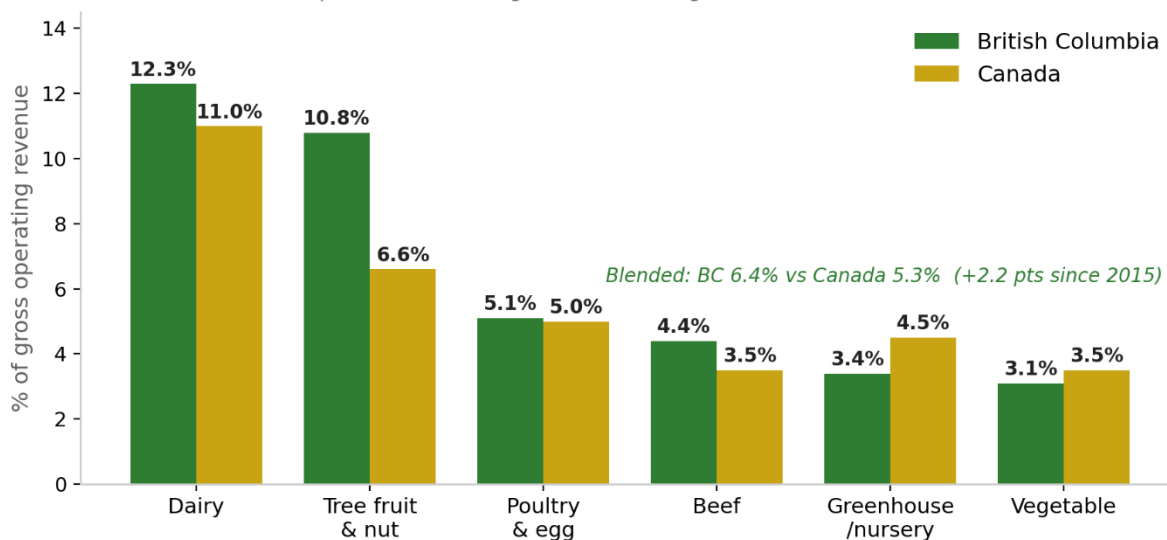
Field vegetables carry the heaviest version of this burden, running labour costs approximately five percentage points above the national average. Dairy carries a smaller version at +2.4 percentage points. Greenhouse, fruit, and poultry operations in BC spend roughly the national share of revenue on labour. Where the labour disadvantage bites in BC, it bites harder than in any comparable jurisdiction — and the policy infrastructure that addresses it in other provinces, including more developed temporary foreign worker channels like Quebec’s centralized foreign-worker recruitment support (FERME), has not kept pace in BC.

Interest

The interest burden is, at root, the price of land’s borrowing cost. BC’s rapidly appreciating farmland has forced producers to finance correspondingly large balance sheets, and the Bank of Canada’s rate increases over 2022 and 2023 then transmitted those balance sheets directly into operating cost shocks. The pressure is structurally worse in BC than anywhere else because BC carries more debt relative to operating cash flow than producers in any comparator province — debt incurred, ultimately, to hold land whose price is set by forces that have little to do with farming. The mechanism by which that price becomes a debt load is taken up in the land section below.

BC's interest burden bites hardest in fruit and dairy

Net interest expense & bank charges as a share of gross revenue, commercial farms, 2024



Source: Statistics Canada, Table 32-10-0136-01 — Farm operating revenues and expenses; commercial farms (\$100,000+ revenue), 2024.

\$100 million

Additional annual interest expense across BC agriculture for each percentage point increase in average borrowing cost, on the sector's \$10 billion debt base.

Across BC's capital-intensive sectors, interest costs have risen sharply, by as much as 72% as a share of gross farm income between the benchmark period and 2023, with fruit operations moving

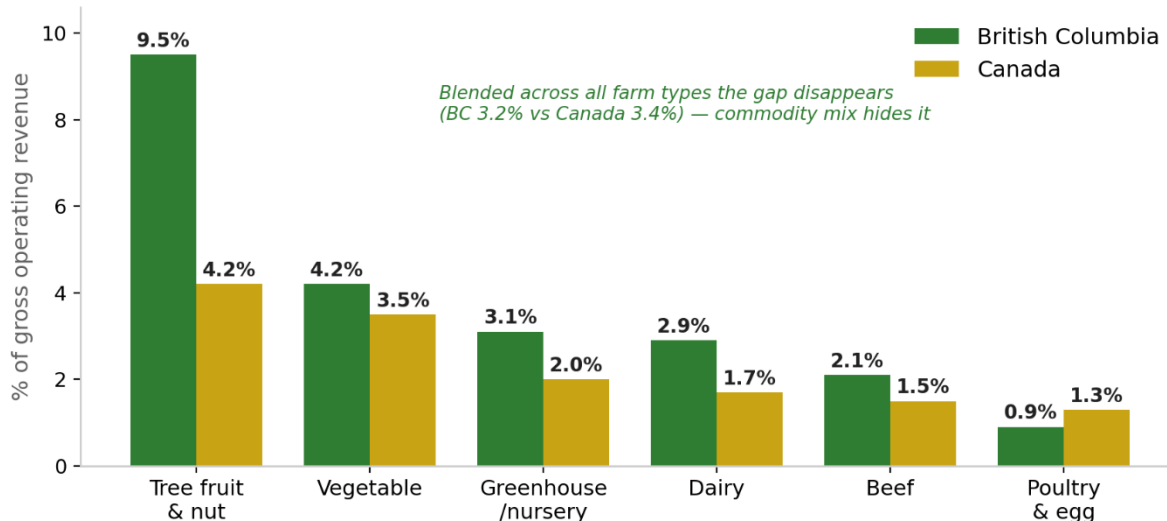
from 6.9% to 11.9%.³ Crucially, interest is not currently an allowable expense under AgriStability — the principal Business Risk Management program available to most non-supply-managed BC farms — meaning that for the sectors the program does cover, the cost shock farms have actually experienced over the past three years is not reflected in the coverage they qualify for.

Rent: where land prices become an operating cost.

Rent is the second route by which the price of land reaches the income statement. Where interest is the cost of land a farm has borrowed to own, rent is the cost of land it cannot afford to own at all. BC's land values do not stay on the balance sheet, they reach the income statement as rent. Across nearly every land-based sector, BC's commercial farms devote a larger share of gross revenue to rent for land, buildings, and quota than the national average, and the gap is widest exactly where the sector is most stressed: BC tree-fruit operations spend 9.5 cents of every revenue dollar on rent, against 4.2 cents nationally. BC dairy, greenhouse, vegetable, and beef operations all sit above their national counterparts as well. The disadvantage is easy to miss in the aggregate. Blended across all farm types, BC's rent share (3.2%) is indistinguishable from Canada's (3.4%), because BC has little of the rent-light grain sector that anchors the national average. But within each commodity, BC producers consistently pay more to access land as they expand production on rented acres in place of being able to purchase.

BC farms spend more on rent in nearly every land-based sector

Rent (land, buildings, quota) as a share of gross revenue, commercial farms, 2024



Source: Statistics Canada, Table 32-10-0136-01 — Farm operating revenues and expenses; commercial farms (≥ \$100,000 revenue), 2024. Rent includes land, buildings and quota.

³ A concern this report does not address, and has garnered little research to date, involves changing risk-rating and capital provisions by banks, to comply with IFRS 9 and Basel III guidelines. Given the volatility of agriculture, producers may expect less favorable lending rates from banks going forward as they adjust lending practices.

These four disadvantages are largely structural. They reflect BC's geography (grain regions are mountain ranges away), its labour market (integrated with one of Canada's most expensive urban economies), and its land market (set by non-agricultural demand). They are not fixable through better farm management — but they are at least partially addressable through targeted policy intervention. Whether policy is calibrated to address them is the question the policy recommendations below take up.

A Constraint This Analysis Does Not Capture

Four of BC's structural cost disadvantages — feed freight, labour, interest, and rent — can be measured against national benchmarks because comparable data exists for each. A fifth cannot. Among the factors that fall outside this study's quantitative scope, the one most consistently raised by producers and commodity associations is regulatory complexity and permitting friction, cited as a material constraint on investment, expansion, and succession decisions. It is not quantified here because no comparative dataset exists to measure regulatory and permitting burden at the provincial and federal levels with the rigour applied to feed, labour, and interest. That absence reflects a limitation of available data, not a conclusion about significance. Developing such a measure — a cumulative compliance-cost benchmark comparable across jurisdictions — is a priority and would close one of the most consequential gaps in the current evidence base.

Asset-Heavy, Cash-Thin

Why BC's balance sheet strength obscures the operating story

The cost-side analysis tells one half of BC agriculture's structural story. The balance sheet tells the other — and it is the balance sheet that most clearly illustrates why operating margin alone cannot be trusted as a measure of sector health in the BC context.

Equity Is Not Cash Flow

British Columbia's agricultural assets have grown rapidly over two decades. The sector held approximately \$15 billion in total assets in the early 2000s. In 2024, total sector assets reached \$57.4 billion. The growth has been concentrated overwhelmingly in farm real estate, which now represents 82.8% of total sector assets. For farming businesses that own land, the appreciation has translated into substantial equity growth — unrealized equity that is tied up in land value and cannot be accessed without selling the asset, accumulated through ownership rather than through operating returns.

\$18.8 billion vs. \$5.1 billion

Increase in BC farmland values 2015–2023, compared to cumulative sector operating income over the same period.

Between 2015 and 2023, BC farm real estate values grew by approximately \$18.8 billion — a 67% increase. Cumulative sector operating income over the same period was approximately \$5.1 billion. Land appreciated by nearly four times what the sector earned by farming it.

This appreciation did not occur in isolation. Over the same broad period, BC's residential real-estate market rose comparably: the province's average home price reached roughly \$971,000 in 2023, up from about \$782,000 in 2020, having risen roughly 80% over the preceding decade.⁴ The point is not that farmland is uniquely inflated — it is that farmland is increasingly priced as real estate rather than as productive land. Its value is set by the same non-agricultural forces that drive the housing market, not by what can be earned farming it.

BC vs. the rest of Canada — where BC ranks worst

- Only province with a negative return on equity (about -0.5%).
- Only province with interest coverage below 1.0 (0.64) — short three straight years.
- Most concentrated lender base in Canada (82% chartered banks + Farm Credit Canada).
- Fastest farm-debt growth of any province since 2004 (+286%).
- 83% of farm assets locked in real estate, earning roughly a 1% operating return.
- Weakest current ratio of any major province (1.72).

This is the central financial paradox of BC agriculture: balance sheet wealth and operating cash flow are increasingly disconnected. The sector-wide return on assets is approximately 1.1% — well below any reasonable cost of capital, well below treasury yields, and well below what would be required to attract patient long-term investment on the merits of operating returns alone. BC farms appear wealthy by balance sheet metrics while running short of cash for capital replacement, reinvestment, and family living draws.

No other major Canadian agricultural province exhibits this disconnect at the BC scale. Asset appreciation and balance sheet strength have, in effect, been masking the day-to-day financial pressure many BC commercial operations continue to face. That distinction matters particularly for the missing middle: when policy is set on the basis of aggregate balance sheet strength, it does not address the operating cash flow problem the mid-tier is actually living with.

The Debt Side of the Story

If BC's balance sheet were merely asset-heavy, the situation would be uncomfortable but stable. It is not. BC's farm sector debt has grown faster than in any other province — increasing 286% between 2004 and 2024. The sector's current ratio, the standard measure of short-term liquidity, is the weakest of any major Canadian province at 1.715. Bank lending concentration is the highest in Canada at 50.8%. This concentration has practical consequences for the commercial tier: with little lender diversity, the sector is unusually exposed to a single lender class's appetite for agricultural credit; succession financing becomes harder to arrange when one channel dominates the market; and the cost of every round of reinvestment moves directly with that lender's rate cycle.

⁴ BC Real Estate Association, year-end MLS residential statistics releases (2023 and 2021).

286% / 1.715 / 50.8%

BC farm debt growth since 2004 (fastest in Canada); current ratio (weakest among major provinces); chartered bank lending concentration (highest in Canada). All worst-in-class.

Provincial agricultural lending programs in BC have disappeared entirely. Compare this to Alberta, which operates two distinct channels — the Agriculture Financial Services Corporation (AFSC), offering patient capital that chartered banks do not provide, and ATB Financial, a provincially-owned institution actively participating in agricultural commercial lending. Quebec operates La Financière agricole du Québec, a coordinated provincial system covering loan guarantees, insurance, and income stabilization. BC has none of these. Credit unions that might fill some of the gap have been largely shut out of agricultural commercial lending through post-2008 regulatory dynamics that have made agricultural lending unattractive against retail mortgage alternatives.

Table 2 — Farm debt by lender and debt growth, 2024

Province	Total farm debt (\$B)	Chartered banks	Farm Credit Canada / federal	Banks + FCC	Debt growth, 2004 to 2024
British Columbia	11.6	51%	31%	82%	+286%
Alberta	37.4	34%	25%	59%	+244%
Saskatchewan	24.4	23%	39%	62%	+253%
Ontario	42.8	49%	31%	80%	+252%
Quebec	32.1	38%	17%	55%	+244%
Canada	166.7	39%	27%	66%	+241%

Source: Statistics Canada Table 32-10-0051-01, 2024; debt-growth column measured 2004–2024. “Banks + FCC” sums chartered banks and federal agencies (principally Farm Credit Canada).

The result is a sector with \$11 billion in debt, depending almost entirely on chartered banks and Farm Credit Canada, with no provincial backstop and limited credit union participation — and operating returns that cover the interest bill only at the margin. BC is currently the only major agricultural province operating without coordinated provincial capital infrastructure for its farm sector. Whether the appropriate response is a new provincial lending agency, a loan-guarantee backstop for credit unions, an ATB-style provincial financial institution, or some combination is a pertinent question. Which of these options to pursue, and on what timeline, should be the focus of provincial consideration.

Land: The Constraint Behind Every Constraint

Almost every structural pressure documented in this report returns to a single underlying issue: the price of farmland in British Columbia, and the way that price interacts with everything else. Land is, simultaneously, BC agriculture's greatest asset and its most binding constraint.

This is why two of the four cost disadvantages documented earlier are not, in the end, separate problems. The interest burden and the rent burden are a single constraint seen from two angles: both are the price of BC farmland arriving on the income statement; once as the cost of debt taken on to own land, and again as the cost of renting land that ownership has put out of reach. Feed and labour are genuinely independent disadvantages, rooted in geography and the labour market. Interest and rent are land. What follows traces the constraint underneath them both.

The Equity Paradox

For farming businesses that own land, rising land values have produced substantial equity growth over the past two decades. A family farm that was worth \$2 million in 2005 may be worth \$6 million today — unrealized equity tied up in the land itself and not accessible without selling the asset, accumulated through ownership rather than through operating returns. From the family's perspective, this is unambiguously a benefit. It provides security, supports retirement, and offers transferable wealth to the next generation.

But the same equity growth that benefits the family creates compounding problems for the farm as a productive enterprise.

First, succession becomes harder. Capital gains exemptions are calibrated to a different era of land values, and the tax cost of intergenerational transfer at current valuations often exceeds what an inheriting child can finance against the operation's actual cash flow. Farms increasingly transfer not as farms but as assets — sold to the highest bidder, which may not be a farmer.

Second, growth becomes harder. A mid-sized farm that wants to invest in expansion increasingly funds those investments by borrowing against land equity. Each round of growth therefore increases both the farm's debt and its vulnerability to interest rate shocks. Investments are necessary for the farm to remain competitive; the financing path makes the farm more financially fragile.

Third, new entry becomes nearly impossible for anyone without inherited land. The capital requirement to enter agriculture at commercial scale, in a province where mid-sized farmland routinely transacts at multi-million-dollar prices, has effectively closed the entry door for non-family-origin entrants except for those backed by substantial private capital. Capital is not the only barrier. A prospective entrant must also navigate Agricultural Land Reserve use restrictions and municipal zoning, and does so without any provincial entry-financing channel of the kind other provinces provide — while on the exit side, succession-transfer tax costs calibrated to a much earlier era of land values push retiring owners toward selling rather than transferring to a successor.

What public policy do we have in place to ensure that farming families find the financial and economic reasons to produce food from this land — when the financial logic of selling is so much clearer than the financial logic of farming?

The ALR and the Policy Question

The Agricultural Land Reserve (ALR) is the single most consequential land policy in BC agriculture. Its function is to preserve land for agricultural use by restricting non-agricultural development. The financial effect, intentionally or otherwise, has been to keep BC farmland values somewhat below what unrestricted urban-fringe land would command — but only somewhat. The ALR has slowed the financialization of farmland; it has not stopped it.

When ALR policy weakens — through expanded exclusions, expanded permitted uses, or relaxed enforcement — it does more than threaten food security. It directly accelerates the equity effect documented above, makes the equity-extraction borrowing trap worse, and pulls more land out of practical farming use even when it remains zoned for agriculture.

The policy direction this implies is not radical: maintain the ALR's effective restrictions, treat exclusions as exceptional rather than routine, and recognize that farmland preservation is among the most cost-effective interventions a provincial government can make in the long-term financial health of its agricultural sector.

Tools That Already Exist

A complementary policy direction draws on existing federal tax infrastructure that would enable farmland trusts to play a role in preservation. The Income Tax Act already provides for ecological gifts of ecologically sensitive land, with charitable donation receipts at full fair market value and capital gains exemption on the gifted portion. An Agri-Gifts program that replicates the ecological gifts framework for farmland gifted into long-term agricultural conservation, would provide a tax-effective mechanism for older farming families to retire from active production while ensuring underlying land remains in agricultural use rather than passing to the highest bidder.

What Policy Can Do

The findings of this report point to six areas where policy can make the most difference. Each is cross-cutting, tied directly to a structural pressure documented in the preceding pages, and within the reach of provincial or federal action. Together they form a coherent response to the fragility of BC's commercial farm sector and, above all, to the mid-tier on which its future depends. They are best read in sequence rather than as a flat list, and each is marked below by the horizon over which it can realistically act. One is immediate and foundational: farm classification reform, a low-cost administrative change that corrects the statistical distortion and lets every other program be targeted. Three are medium-term, recalibrating existing programs and building coordinating capacity. Two are longer-term and heavier lifts, requiring new provincial institutions or federal tax legislation; farmland preservation spans both horizons, since maintaining the Agricultural Land Reserve is an immediate priority while its complementary Agri-Gifts tool is a longer-term federal measure.

1. Farm Classification Reform (*Immediate*)

The current single-classification system treats every farm reporting agricultural income identically — a \$5,000 hobby operation and a \$10 million commercial enterprise enter the same dataset, qualify for the same programs, and report under the same statistical framework. This conflation is at the root of the misleading public picture documented in the opening sections of this report.

A three-tier classification — sub-commercial (under \$100,000), commercial (\$100,000 to \$1 million), and large commercial (over \$1 million) — would allow programs to be targeted to operations that need them, statistical reporting to reflect actual sector performance, and tax benefits to be calibrated to the economic role each tier actually plays. Among other effects, this reform would substantially address the property tax fairness concerns raised by local governments.

2. Business Risk Management Recalibration (*Medium term*)

AgriStability and the broader Business Risk Management suite were not designed for the cost structure BC's commercial farms now face. Two specific recalibrations are warranted. First, the allowable expense list does not currently include interest — a critical gap given that interest costs have grown rapidly across BC's capital-intensive sectors over 2022–2024. Second, the reference margin window does not adequately reflect multi-year cost trends. Lengthening the reference window should at minimum be the subject of modelling exercises to estimate how the program might be improved.

3. Provincial Capital Infrastructure (*Long term*)

BC is currently the only major agricultural province without coordinated provincial capital infrastructure for its farm sector. Two models are directly transferable. Alberta's Agriculture Financial Services Corporation (AFSC) demonstrates how a provincial lender can supply the patient, longer-horizon capital that chartered banks do not; and a provincial loan-guarantee

backstop enabling credit unions to re-enter the agricultural commercial lending they have largely exited since 2008 would target BC's specific concentration of farm debt in chartered banks at comparatively low fiscal exposure. Either could be established without displacing existing lenders. The immediate step is a focused provincial review to choose between them.

4. Address the Labour Constraint (*Medium term*)

For many commercial mid-size farms the binding constraint is not the price of labour but its supply — increasingly scarce, volatile from season to season, and administratively costly to secure. Large operations absorb that burden through dedicated human-resources capacity; the missing-middle farms at the centre of this report do not have it. British Columbia should establish a centralized agricultural labour coordination function, modelled on Quebec's FERME, that pools the recruitment, processing, and placement of seasonal and foreign workers on growers' behalf. Centralizing this work achieves economies of scale no individual mid-size farm can reach on its own, reduces the per-farm administrative and compliance load, and makes supply more reliable, directly offsetting a structural disadvantage that falls hardest on the mid-sized operations.

In parallel, the province should continue and expand the BC On-Farm Technology Adoption Program, while recognizing that cost-shared grants alone will not close the adoption gap for these operations, because two distinct barriers remain. The first is information: much commercially available automation is built for large operations, and mid-size growers need technology sized to their scale and confidence that it will perform under their conditions. Closing that gap requires independent, on-the-ground extension. This includes advisory support to identify scale-appropriate equipment, on-farm demonstration and trials, and integration and training assistance. This would allow growers to adopt on the strength of local evidence rather than bear the full risk of going first. The second barrier is capital. Commercial mid-size farms operate with thin working capital and limited capacity to take on new debt; a program that covers part of an equipment cost still leaves them to finance the remainder and carry the cash-flow gap, which many cannot. Pairing the program with financing suited to this constraint, such as low-interest or partially forgivable capital, would let capital-constrained growers act on the same evidence that larger operations can already afford to act on.

Together these measures build resilience against a scarce and volatile labour supply: coordination secures the labour that exists, while financed, scale-appropriate automation steadily reduces the exposure to it.

5. Cross-Sector Feed Cost Program (*Medium term*)

A targeted feed cost relief program — on the order of \$50 to \$75 million annually, roughly a third of the documented \$183 million annual feed-cost gap and indexed to actual freight differentials — would directly address the largest single structural cost disadvantage facing BC's livestock and poultry sectors. This is not a subsidy in the conventional sense — it is a structural offset to a geography-driven disadvantage that no comparable Canadian province faces.

6. Farmland Preservation: ALR Plus Agri-Gifts *(Immediate + Long term)*

The Agricultural Land Reserve remains the most consequential farmland preservation tool in any Canadian province, and maintaining its effective restrictions is among the most cost-effective interventions available to the BC government. A complementary federal proposal — an Agri-Gifts program modelled on the existing ecological gifts framework — would provide a tax-effective mechanism for older farming families to retire from active production while ensuring underlying land remains in agricultural use.

Six Interlocking Reforms

Classification reform, BRM recalibration, provincial capital infrastructure, better labour support and tech adoption funding, a feed cost program, and farmland preservation. Each addresses a different facet of the structural fragility documented in the preceding sections. Together, they would substantially change the trajectory of the sector's most vulnerable cohort: the mid-tier commercial farm.

The Path Forward: Investing in the Middle

Read together, the preceding sections fill in the specific picture this report set out to draw: a commercial farm sector that generates positive operating income yet carries structurally thinner financial resilience than any major comparator province in Canada, and a missing-middle cohort whose stagnation is at once the sector's most concerning trend and its most achievable policy opportunity.

The challenges facing BC's commercial farms are not confined to any one commodity; they cut across the sector. The structural fragility documented across the preceding pages — lower margins than peers, higher capital costs, faster debt growth, weaker liquidity, the highest bank dependence in the country, the only major agricultural province without provincial lending infrastructure, and an equity-to-cash-flow disconnect that no other jurisdiction matches — produces a financial profile in which even modest cost shocks can erode the available cash flow within tight operating margins.

If there is a single conclusion to draw, it is that BC agriculture's future depends substantially on what happens to the mid-tier. The largest commercial operations have the scale to absorb cost shocks. The sub-commercial population will continue in the role it has long played. But the 1,150 farms in the \$500,000 to \$2 million range — the operations that in any other industrial classification would be called the small and medium enterprises of agriculture — are the cohort most exposed to current structural pressures and the cohort whose retention or attrition will define the next decade of BC food production. They are also, given the right policy environment, among the operations best poised for growth and innovation — large enough to invest and modernize, yet still small enough to scale.

The good news is that the structural pressures these farms face are addressable. They reflect specific policy choices — about classification, about Business Risk Management program design, about provincial capital infrastructure, about feed import economics, and about increasing preservation and productivity of farmland — and policy choices can be revisited.

A Concluding Note

The argument of this report is, at root, an argument about specificity. Aggregate figures have driven the public conversation about BC agriculture for too long, and they have produced a debate that is too inattentive to where structural pressure resides. A more specific picture — one that distinguishes commercial from sub-commercial, examines each commodity on its own terms, separates operating income from economic resilience, and benchmarks BC against comparable Canadian jurisdictions — supports a more specific policy conversation. That more specific conversation is what BC agriculture needs.