



UNE RICHESSE À CULTIVER

Financing farmland acquisition: some examples and tools from Terre de liens

Financing Farmland Acquisition

Soil Association and Biodynamic Land Trust Seminar - 1 July 2013, Bristol

French Background: land and agriculture

A country where agriculture is still important

3,5% of the GDP, 53% of UAA, 500 000 farms, 3,4% of active population

A regulated land market

- > Planning by local authorities (at different levels)
- > SAFER : private bodies with a mission of general interest: regulating the agricultural land market and promoting the setting up of farmers.
- > Legal body protecting farmers' rights

But difficulties...

- > Decline of UAA: - 75000ha / year
 - > Farmland concentration: -50% farms in 22 years, +50% in farm size
 - > Relatively low but fast-increasing land prices: 3030 €/ha in 1997, 5360 €/ha in 2011
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- A decorative graphic at the bottom of the slide shows a row of silhouettes of people, some wearing hats, standing in a field. The silhouettes are rendered in a light red color against a white background.

Terre de liens (1): a citizen movement

Alliance of citizens and farmers to set up or maintain local, organic peasant farmers, by facilitating their access to land

3 roots: organic farming + ethical finance + people's education



Terre de liens (2): lines of work

> Raising awareness and mobilising citizens

> Raising savings and donations, and acquiring land and buildings which are rented out to organic farmers

* *Foncière (2006)* (ethical, solidarity-based investment fund): savings collected from citizens, consumers, inhabitants...

* *Fondation (2009/2013)*: donations in cash and kind (farms)

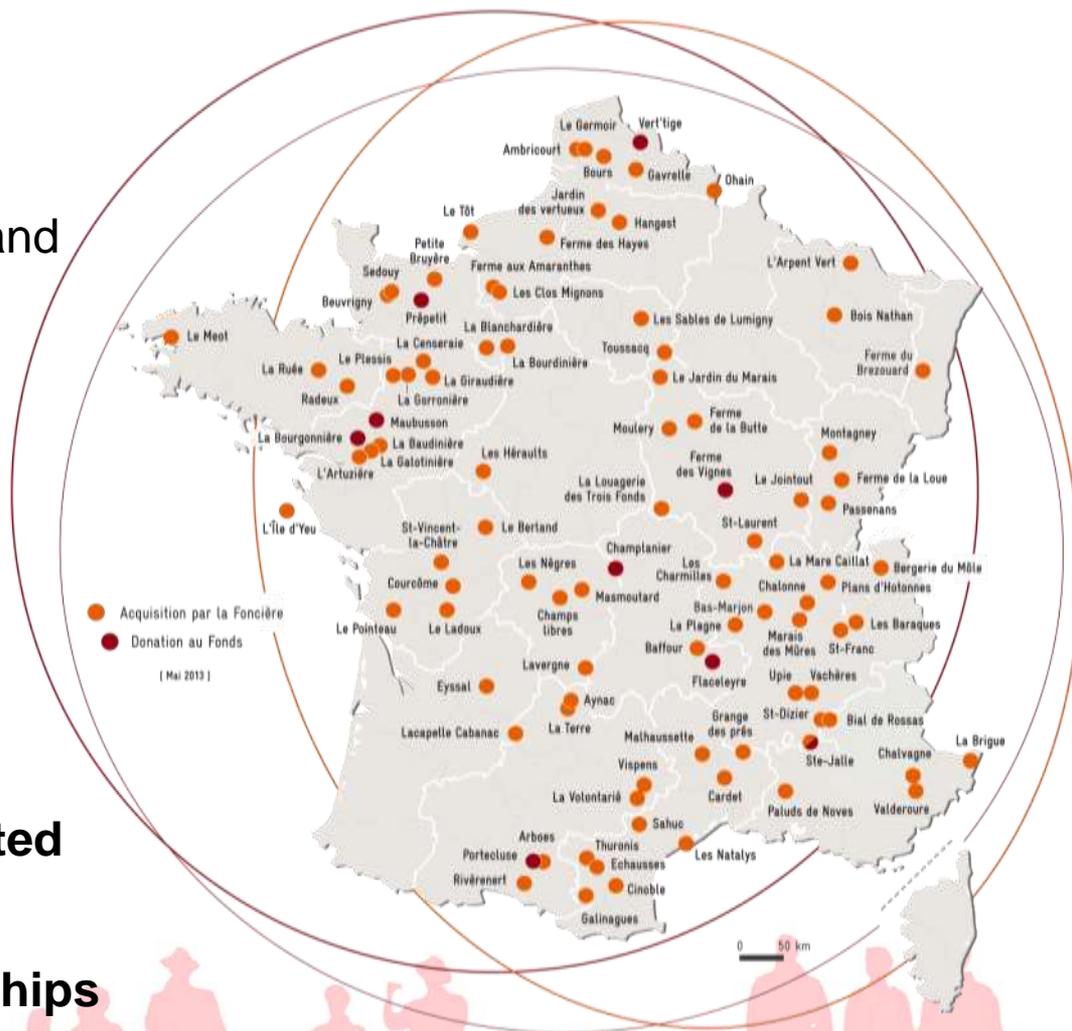
> **Setting up and supporting collective, multi-stakeholders territorial dynamics**, in order to facilitate the setting up of a young farmer, creating a green belt, monitoring the land situation, etc..



Terre de liens (3): some results...

Since 2003 :

- > 20 regional associations
- > About **10 000 citizens** mobilised and active in Terre de liens
- > Over **150 farmers** set up or maintained
- > **A hundred farms acquired**, or in the process of being acquired
- > Over **2200 hectares** dedicated to organic and peasant farming
- > Over **200 future farmers supported every year**
- > An increasing number of **partnerships with local authorities**



La Foncière (1): objectives and missions

Objectives:

- Preserving farmland in agricultural -and sustainable- use
- Supporting local, organic, peasant farmers in getting land for setting up or maintaining their activity
- Fostering the development of local, organic agriculture in France

Missions:

- Collecting savings from citizens and citizen-based organisations
- Buying land and building to set up/ maintain organic farmers
- Administrating land and building in the long run

TLD seeks to decommmodify farmland: land and buildings are not to be sold ever again



La Foncière (2): functioning

La Foncière was jointly created by La NEF bank and TDL

Legal status and labels:

- La Foncière is a private company limited by shares, with a variable capital - shareholders (7500 ppl) separate from management (La NEF + TDL) + Supervisory Board
- La Foncière is an ethical financial company, registered with the state and certified by the French association of ethical finance



La Foncière (2): functioning

Shares:

- 1 share = 100 Euros – one shareholder cannot own > 5% of capital
- No dividend – only re-evaluation to catch up with inflation (1st one in 2012) – wealth creation does not stem from merely owning land
- Tax rebates on income tax (25% of the value of the share can be deducted) and wealth tax (75% of value of the share) – condition: keeping the share for at least 5 years. Largely cut since 2011
- Shares can be dedicated to a specific project or given to the Foncière in general
- **25% of capital put in reserve, the rest used to acquire farmland**



La Foncière (3): farmland acquisition

Farmland acquisition

- Acquisition of plots or whole farms
- Acquisition of land and buildings so as to avoid conversion of farm buildings for residential use
- Acquisition only when there is: a land + a farmer + a project which match TDL goals

Tenancy:

- **Long term tenancy** – 9 years to career long
- **Environmental lease**, with binding clauses (e.g. organic)
- Administrating land and building in the long run
- Low rent (as by regional legal standards)



The example of Saint Dizier: background

- A small village in the low mountains – since the 1970s, rural exodus and pressure for secondary residences
- Strong local mobilisation: municipality committed to preserving farmland and agricultural activities + inhabitants => 3 farms
- Long term and multi-faceted support of TDL (technical advice, acquisition, etc.)



The example of St Dizier: La ferme du Col

Land and buildings – acquired in 2010:

- 93 ha: moors, permanent pasture and cereals
- 1 house (110 m²) and 3 farm buildings (295m²) -need to refurbish the interior of the house and to restore the farm buildings' roofs

Results:

3 new farmers – 1 couple doing sheep (meat) and beer; 1 farmer consolidating his farm of fruits and small fruits production

Raising funds:

- Fundraising from local inhabitants and local consumers (public evenings, local newspapers, farm visits, etc.)
 - Very active role of the local group and of the mayor/ local council
 - Very active role –and personal financial contribution- of the farmers
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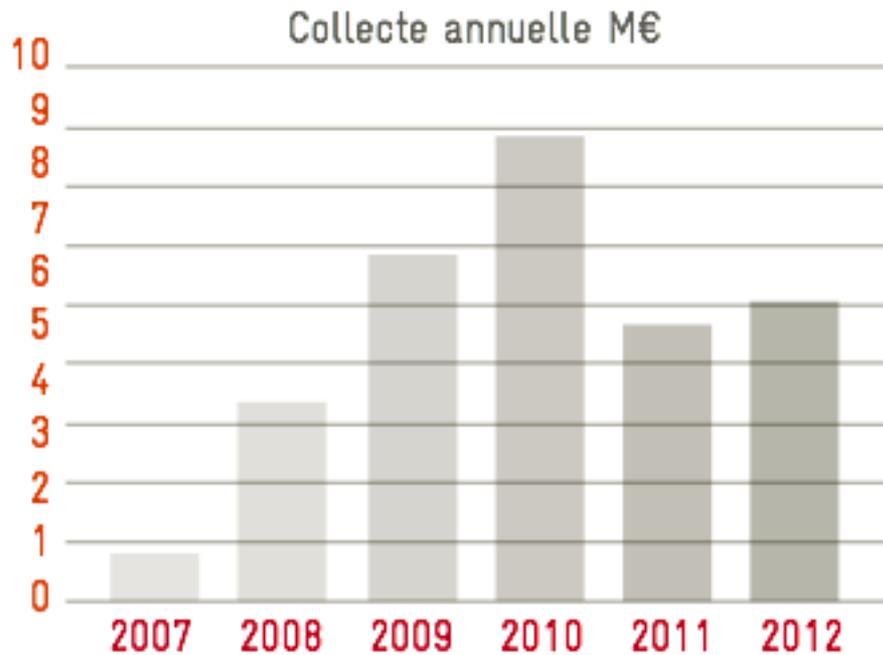
The example of St Dizier: La ferme du Col

Acquisition – and related - costs:

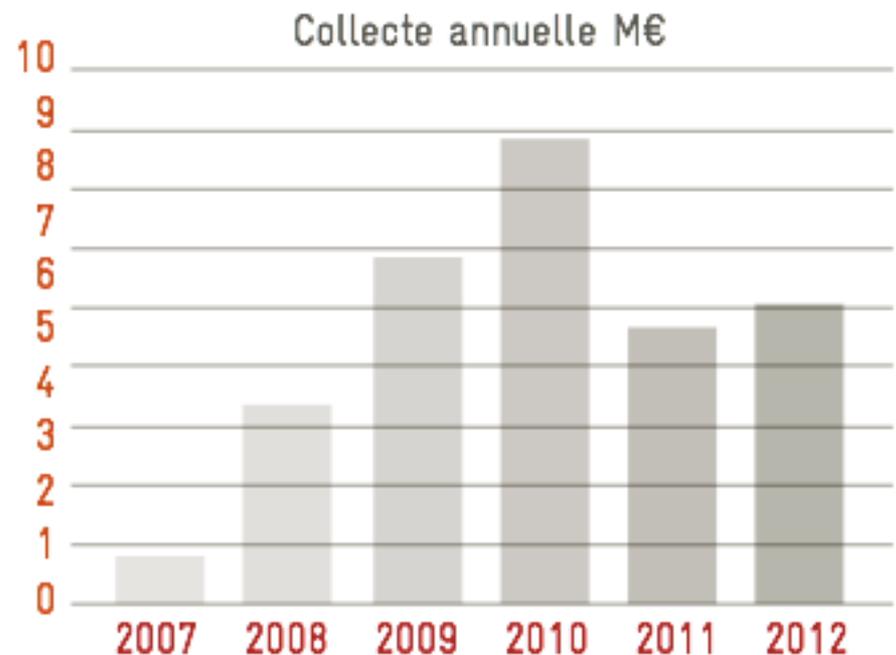
Costs (€)			Funding (€)	
1	Land (93ha)	118 180	Savings collected specifically for the project	199500 (81%)
2	House and Buildings	41 184	Savings collected for the Foncière in general	47384 (19%)
3	Fees of the notary	2 806		
4	Fee of the SAFER (mediation)	21 714		
5	Refurbishment work (immediate or planned in the short term)	63 000		
6	TDL costs (regional association and Foncière)	0		
A	Total	246 884	Total	246 884
B	Reserve (25%) 1+2+3+4+6	45 971	Savings collected for the Foncière in general	45 971
C	Overall costs for acquiring and making it available	292 854	Overall immobilised capital + reserves	292 854

La Foncière: overall economic evolution

Number of shareholders



Amount collected/ year



La Foncière: profile of shareholders

As of 31 December 2012:

	<u>Number</u>	<u>% of shareholders</u>	<u>% of capital owned</u>
<u>Individuals</u>	7422	97,5%	89,3%
<u>Organisations</u>	192	2,5%	10,7%
<u>Total Shareholders</u>	7614	100%	100%

- > Organisations include CSA groups, Biocoop shops, environmental associations, etc. and few institutional investors (company saving schemes..)
- > On average, each shareholder (outside of institutional investors) owns 35 shares. 25% have invested several times.
- > Average investment per shareholder (outside of institutional investors) in 2012: 2900€



Evolutions in the business model

- > Amount of money collected has slowed down since 2011, with the change in tax rebates (lesser rebate, longer minimum duration, capping of the amount for which a company can provide tax rebate certificates)
- > This means we now have more projects than money => need to increase funds raised specifically for the project (and decrease part coming from overall fundraising)
- > Increased investment in buildings, both in terms of money (initial acquisition and more important initial works) and in terms of human resources (staff and volunteers)



Current challenges

- > **Lobbying** to increase **tax rebates** in future Finance Bills
- > **Race with time:** in order to ensure we can buy land that becomes available, we need to:
 - collect money (in particular project-specific money) fast enough, hence mobilise citizens better/ more quickly, or
 - find alternative transitory mechanisms (e.g. support of local authorities covering SAFER costs for “holding” land for us)
- > **Property Management:** buildings =half immobilised capital. Huge challenges (technical skills, local presence). Ongoing reflexion to “externalise” some of the works to farmers or find other sources of funding (patronage, public subsidies for social housing..)
- > **Financing the work of regional TDL associations** which do most of the work of supporting future farmers, advising them, mobilising local groups, connecting with local stakeholders, etc.

Thank you for your attention



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