



Advisers return big dividends

Many farm business specialists tell a story about two farms virtually identical in every way except one – one is prospering, the other is struggling to survive.

The two farmers assume their neighbour must be doing the same as they are because they produce the same product, are similar in scale, and employ the same production techniques.

But someone who has seen the books on the two operations – an accountant, banker or financial adviser – knows that when it comes to the bottom line, they are as different as day and night. Farm management can make all the difference in profitability.

How much of a difference? Forty per cent or more, suggests a recent study from Quebec.

The province is a leader in promoting better farm management, with farm management clubs that date back over 30 years. In 1982, the club leaders set up a federation of management groups called the Fédération des syndicats de gestion agricole du Québec, which is affiliated with the Union des producteurs agricoles.


There are now 40 agricultural management pools (AMPs) within the federation, each one consisting of 20 to 200 members and assisted by one or more agronomists working exclusively as management advisers.

Recently the federation analysed the financial performance of 366 farms in the 1998 fiscal year. Three-quarters of those studied were long-time members of AMPs, averaging more than 10 years. The other group was made up of relatively new members, averaging just 2.4 years. To compare apples to apples, only farm operators who became established between 1985 and 1989 were selected for the study.

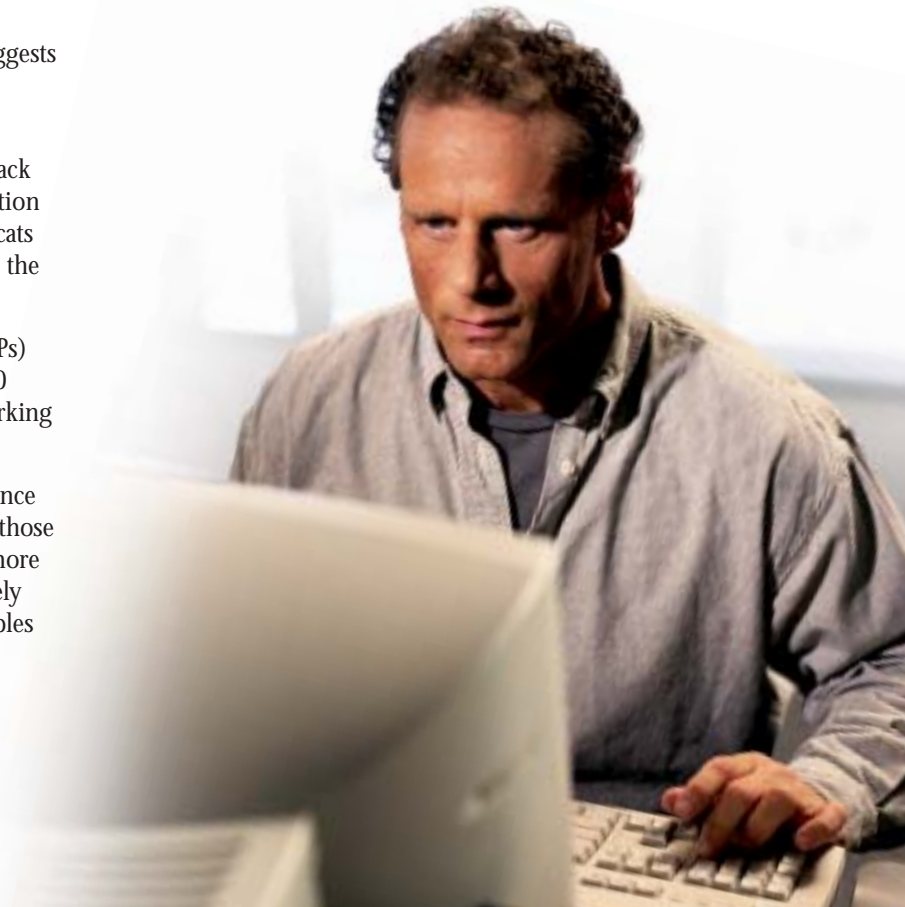
The difference in economic performances of these two similar groups of farmers was startling.

Both groups had similar revenues, but the net income (gross revenue minus both variable and fixed expenses) was 43 per cent higher for the long-time members. And although both groups had about the same level of debt, the long-time members had built up more assets and therefore had an equity level that averaged \$150,000 more than those farmers who had only recently joined an AMP.

“It’s not a miracle,” says Bernard Belzile, secretary of the Fédération des syndicats de gestion agricole du Québec.

“It’s a lot of small, and sometimes big, decisions made each year. After many years, you see the results.” 

For more information on farm management, visit the Canadian Farm Business Management Council at www.farmcentre.com



Incorporation and succession planning

Part 2 of a 4 part series on incorporating your farm

By Janet Kanters

So you've taken the big step of incorporating your farm business, giving you peace of mind and an operation that's running like a well-oiled machine.

You're beginning to think it might be time to slow down, take an overdue – and well-earned – vacation, and allow your children to be more responsible in running the farm.

So just how easy is it to turn your farm corporation over to your children? Well, according to Rick Haines, FCA, with KPMG in Regina, it's best to start planning for succession sooner rather than later.

“What we have to keep in mind here is that succession planning is a process, and not an event,” he says. “It's about family, people and relationships, as well as ownership and management. It's about what's fair, and it's driven by family values, wants and concerns.”

In a nutshell, what you're looking for is a successful transition for the next generation, while ensuring the viability of the business and preserving family harmony. This latter point makes farm succession planning a little different than your 'typical' corporation turnover.

Indeed, a farm business succession plan, says Haines, should perpetuate shared values, and treat family members fairly and equitably.

“And that doesn't necessarily mean equally, which is where you run into a lot of issues,” he notes. “Succession planning really requires family participation, and involves such things as estate planning, wealth planning, retirement planning and business planning.”

The first question that must be answered is whether or not mom and dad are ready to pass things on to other family members.

“This is usually the first hurdle you have to overcome when you're trying to do succession planning,” says Haines. “Even though mom and dad think they're ready to give up the business, when it comes down to it and you're getting into it, maybe they're not so ready to give it up.”

Some key factors to consider when thinking of succession include:

- Are other family members capable of taking over the business?
- How are mom and dad going to fund their retirement?
- Will mom and dad still need income from the farm?
- Will everyone be treated equally?
- Who's going to do the physical work on the farm?
- Who's going to make the decisions?
- Who's going to have ownership of the assets?

The answers to these questions are not simple, and they need some serious thought before they can be answered. That's why in most cases, people considering succession of their farm business consult with trained professionals.

“Early in the process, you should seek assistance from competent professional advisors, which include lawyers, accountants and investment advisors,” says Haines. “And because you're dealing with family succession, you also might want to consider using a trained facilitator to deal with any family issues that arise.”

This facilitator, adds Haines, acts as a mediator. He or she listens to the wants, needs and concerns of individual family members, allowing everyone to have his or her say in the succession process. The facilitator is then able to create some rational scenarios that are fair and equitable to all family members, allowing the succession to proceed relatively smoothly.

Turning over the farm to the children doesn't have to be as cut-and-dried as it sounds. Indeed, many parents decide to transfer the farm business ownership over time. By using the corporate structure, this can be achieved fairly simply, by implementing an estate freeze.


“Implementing an estate freeze simply ensures mom and dad retain ownership in the corporation as preferred shareholders, ‘freezing’ the value of their interest in the corporation at a fixed amount. The children would then come in as new common shareholders, entitling them to any future increase in the value of the corporation's assets,” says Haines.

“One benefit of implementing an estate freeze is that it fixes mom and dad's income tax liability associated with the value they hold. As well, it allows mom and dad to retain some degree of control of the corporation by holding shares with voting rights.”

Succession planning need not be confusing or difficult for farm families. Indeed, an incorporated farm business is often

easier to turn over to children than a non-incorporated farm. It just takes some pre-planning and good communication amongst family members.

“You need to develop a shared family vision, because you may find out that certain family members don’t see the

farm business going in the same direction as other family members,” notes Haines. “Hand-in-hand with that, you have to develop shared goals. To do this, you really have to focus on communicating with one another, listening to one another and, obviously, showing respect for one another.” 

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Be SMART and keep your best

In many instances farming continues to be a family business. Skills are passed from grandparents to parents and children. Because of close proximity, family members know each other's communication style and work habits. Often, thoughts can be communicated with few words. And, since the youngest are subordinate by age, employee management isn't much of an issue.

But, times are changing. Today, even if there's work on the farm, most young people are encouraged to pursue post-secondary education. At the same time, economies of scale mean that farm operations continue to expand in order to compete. Bigger operations require more manpower. The answer is hired help, ranging from temporary or seasonal workers to full-time crews.

Producers understand that their employees are key to the operation's success. Yet, without the family bond, they are looking for ways to ensure that their employees stay.

Canadian trainer Michelle Painchaud says the answer, whether it's family or outside employees, is improved management skills. "While certain people might be born with natural leadership abilities, managing others takes knowledge and practice. Whether you have a thousand employees or one or two, you have a lot to do with how your employees feel about coming to work."

The human resources consultant, who was born and raised on a farm near Winnipeg, recently shared her insight with some successful producers at an AgriSuccess workshop entitled Keep the Best. It was held in Swift Current, Saskatchewan. The workshops are delivered in partnership with the Canadian Farm Business Management Council.

Darrell Gill and his son Clayton farm 2,200 acres and manage a couple hundred head of cattle with the help of Darrell's brother. They drove about an hour from their farm on the border of Alberta and Saskatchewan to see if they could pick up some tips.

"I want to learn how to keep staff motivated and make sure that we keep a good one when we get them," says Darrell. "There's a lot that can pull them away – the lure of the big dollars in the nearby oil patch is just one example."

While salary is certainly a factor in keeping good employees, Painchaud says studies show that for most workers, money is not the biggest motivator. Employees want the intangible stuff.

"Employees want an environment where they like what they do, feel valued and appreciated and are challenged," she explained. "It is to your advantage to keep a good employee



happy. The cost of losing an employee can be as much as three times their salary. Not only do you have to do the work that they were doing while you find a new employee, you have to train someone new. And, there's also a risk that the loss of one employee can demotivate those who are staying."

What is a good manager to do?

Michelle says as managers, farmers must set SMART goals for their employees. SMART stands for specific, measurable, attainable, realistic and timely. Employers must be specific about what they require, how they want it done, the tools to do it and when it needs to be completed. They also need to make sure that the employee can do the job. She advises that SMART goals should be set daily, weekly, monthly and even yearly.

In addition to working SMART, managers must also work FAST. It's all about communication.

"For behaviour to be repeated, it needs to be recognized. Good managers give their employees feedback that is Frequent, Accurate, Specific and Timely. 'Good job today!' doesn't have nearly the impact that 'You did a good job today cleaning up the combine. I appreciate it when the machine is cleaned regularly because we don't seem to have near the breakdowns as when it isn't done'," Michelle said.

Recognizing her audience's hesitance to verbalize such a lengthy compliment, Painchaud asked them which compliment they would rather receive. All agreed that the second one made them feel more appreciated.

Once employees know what their boss expects, the stage is set for a review of the employee's performance. Painchaud suggested an informal review every three months. "It doesn't have to be complicated or take a lot of time. A discussion about how everything is working and a few well-asked questions can help you to ensure that you and the employee are on the same page. It also shows that you are concerned about that person and how they are doing. As well, regular reviews will make your operation appear more businesslike, and hopefully


harder to walk away from. And, if you find out that your employee isn't happy then you can either work things out or you know that you might need to look for someone new."

Kevin Spate, a grain and elk producer from near Morse, Saskatchewan, walked away from the session seeing room for improvement in his management skills. "I've always just let the performance issue slide. Now, I know that if there is a problem, I need to redirect the employee in the right way and right away. This will help both of us."

Darrell also had an ah ha moment when Painchaud talked about communication styles. "I'm someone who sees the big picture and just does things. I need to remember that not everyone that works with me thinks the same way I do. I need to explain myself more clearly, even if it sounds like over-explanation to me. Clayton and I have worked together for so long that we just understand each other and we don't need to talk much. I can't expect that from an employee."

Meanwhile, another producer had his feeling confirmed. He says he really doesn't want to be a manager. He just wants to farm. So, he's delegated the employee management role to his son.

Painchaud says it doesn't have to be highly complicated, but managing employees better in order to keep them engaged takes work.

"I wish that I could just give you a checklist," Painchaud told the audience, "but I can't. Each person is unique. Everyone has different things that motivate them and each accepts feedback in their own way. You need to figure out what works for your own employees. What I can tell you is that if you take the time to communicate and provide positive feedback to your workers, it will make their day and may even help you keep the best." 

AgriSuccess workshops are held throughout the country. Please contact your local Farm Credit Canada office or visit www.AgriSuccess.ca for more information.

"Employees want an environment where they like what they do, feel valued and appreciated and are challenged. It is to your advantage to keep a good employee happy. The cost of losing an employee can be as much as three times their salary."

Sheep research is a boon to breeders

The first case of BSE in North America may have been detected in 2003, but an innovative Nova Scotia Agricultural College professor was well into his second year of research on a similar disease related to sheep.

The professor is Dr. Hossain Farid, a quantitative geneticist at the college. The work focuses on genotype testing of purebred sheep for resistance to scrapie, a fatal and transmittable disease, similar to BSE, which affects the central nervous system of sheep and goats. There is no treatment or vaccine available. While a danger to sheep, it does not spread to cattle or humans.

“In 2002, the Purebred Sheep Breeders Association of Nova Scotia asked me to genotype the purebred sheep for scrapie resistance,” Dr. Farid explains. “Last year we finished up that work and now Nova Scotia is the only place where the entire purebred population of sheep has been genotyped for two generations.”

Farid’s work started well before the first incident of BSE. After that case was discovered, other provinces approached him for advice.

“I have been working on a two-year program for the British Columbia sheep breeders and also helped prepare some

material for the Canadian Sheep Breeders Association, which was used in a national scrapie testing program. I am now starting year two of the B.C. program.”

Farid stresses that the research was not on disease detection but rather genetic resistance. However, keeping scrapie in check was vitally important to the industry because an outbreak would have a devastating effect on breeders throughout Nova Scotia and Canada.

“The difference between scrapie and BSE is that we already have markers we can sort or screen for resistance,” he says. “That doesn’t exist in cattle.”

Nonetheless, BSE hurts sheep producers throughout Canada. In Manitoba, for example, sheep trade dropped between 40 and 50 per cent because of BSE. Producers were ready to market their animals, but closed borders stopped all movement.

With 975,600 sheep and lambs in the country according to Statistics Canada (January 2003), the industry is valued at \$102.5 million in farm gate sales. An average flock has 74 head.

The costs add up says Farid, who also gives breeding and veterinary advice to breeders, said the cost of detecting the disease is high. The cost of destroying sheep infected with the scrapie, under the watchful eye of the Canadian Food Inspection Agency, is \$600 per animal. ⚙️

For more information on farm management, visit the Canadian Farm Business Management Council at www.farmcentre.com



Soybean producers boost returns with inoculants

Soybean producers throughout Ontario see increased return on investment (ROI) thanks to the research of an award-winning agribusiness.

Cambridge-based Agribiotics Inc. manufactures and develops biological products for agriculture – most significantly inoculants for legumes such as soybeans and lentils. The company’s owners are the 2004 recipients of the Business Development Bank of Canada’s Young Entrepreneur Award for Ontario.

“We are a small company with a large research and development program,” says Alison McIver, who established the firm in 1997 with sister, Hannah. “Our father came up with the concept, introduced his product (Rhizobia) to North America and successfully trialled his work at the University of Guelph. When he was ready to retire, we saw the benefit and took over the business.

Agribiotics has about 45 per cent of the market share in Ontario for soybean inoculants, Pulse R and Apex Liquid. “We focus on very pure cultures of bacteria, high numbers of culture. We found when you increase those numbers, you get very good strains and more yield benefits. The inoculants will survive long enough in the seed to give producers maximum yield benefits.”

Hannah says the company’s first measurable target is yield benefits, and inoculant use increases protein content in soybeans.

“We test in several ways,” she explains. “One is from the microbiological standpoint but the most important method is growers testing it in their fields. We do head-to-head trials, putting them against competitive products. Our own internal trials put the products up against different strains or against non-inoculated control.”

They typically see a 2.5-bushel increase in yield, about a 10-1 ROI. “We use an education platform to market our products. If the growers are more educated, they will use the product within the parameters suggested. This approach allows us to set up a dialogue between the company and the consumer.”

Oxford County grower and president of the local Federation of Agriculture John Gal is pleased with the availability of a company only 50 kilometres east of his Woodstock operation.

“It’s very good to have a Canadian supplier for the Canadian market,” he says. “At one point, it was products from the UK. This is a real plus for growers around here. What I’m interested in is whether they are working on corn inoculants.”

Hannah says expansion is definitely in their short and long-term plans. ⚙️

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In the meantime, we hope you enjoy this issue of AgriSuccess Journal – you'll hear from us again soon! ⚙️

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