

March/April 2008

AgriSuccess

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Advancing the business of agriculture

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Twynstra of Twilight Acre Farms
near London, Ontario.

*Cette publication est également
offerte en français.*

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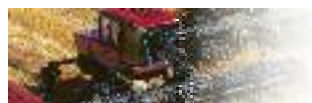
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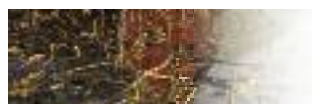
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- The Felix Schmaltz Award for General Periodical; Bronze 2006, 2007
- Canadian Agricultural Marketing Association (CAMA) Awards; Merit 2006, 2007



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Letter from the editors



FROM KEVIN HURSH AND ALLISON FINNAMORE

You may be producing eggs, broccoli, canola or heifers. You may be on Vancouver Island or Prince Edward Island. It can be difficult in a magazine such as this one to provide relevant information to producers when the production and geographic differences are so great.

Since farm management is important to all kinds of producers in all parts of the country, it's the natural topic for this magazine. In fact, if you take a look at our vision statement at the bottom of this page, you'll see that AgriSuccess Journal is all about helping to advance your management practices.

That's a broad mandate, and you'll find stories in each edition that cover a range of topics. Still, it's important for us to have an overarching purpose if we're going to be useful to readers.

In this edition, the theme is profitability. We have articles on how to improve your marketing as well as articles on how to control costs. Our goal is to provide you with principles and examples you find interesting and useful, no matter where you farm and no matter what you produce.

Since biosecurity on livestock operations is a hot topic, our regular profile of young farmers is being replaced for this edition with an article on biosecurity considerations.

We want to react to what's happening in the world of agriculture to be as timely as possible with our articles. However, magazines can't effectively deliver breaking agricultural news stories.

For current news stories, there's AgriSuccess Express, which is e-mailed weekly to subscribers across the country. We have the pleasure of serving as the editors for that product as well. If you don't already subscribe to the Express, just go to Farm Credit Canada's website at www.fcc.ca and click on "Ag News" and then "AgriSuccess Express."

We appreciate your story ideas and feedback for both the Journal and the Express. To contact us, you can e-mail info@AgriSuccess.ca or call 1-888-332-3301.

AgriSuccess Journal is a magazine dedicated to helping producers advance their management practices by providing practical information, real-life examples and innovative ideas that foster personal solutions.

AgriSuccess
JOURNAL

This month's contributors

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Kevin is a consulting agrologist, journalist and broadcaster based in Saskatoon, Sask. He also takes an active role in the management and operation of a grain farm near Cabri, Sask.

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The editors and journalists who contribute to AgriSuccess Journal attempt to provide accurate and useful information and analysis. However, the editors and FCC/AgriSuccess cannot and do not guarantee the accuracy of the information contained in this journal and the editors and FCC/AgriSuccess assume no responsibility for any actions or decisions taken by any reader of this journal based on the information provided.

The views expressed in this journal are those of the authors and do not necessarily reflect the opinion of the editor or FCC/AgriSuccess.

CWB options explained

BY KEVIN HURSH

A producer's guide to Canadian Wheat Board pricing options has been developed. It's called "Making Sense of Your Choices" and it's available at www.cwb.ca.

Under the heading of Risk Management Options, the booklet runs through the Early Payment Option, Fixed Price Contract, Basis Price Contract, Daily Price Contract, Target Price Service and Force Majeure Option.

In addition to a brief description of how each works and when it

would be beneficial, the publication also explains how the programs can work together to meet the needs of a farm business.

The booklet serves as a simple guide to help make sense of the choices available. Further details are available for specific programs on the CWB website, or producers can speak with CWB representatives.

An insert inside the back cover of the booklet lists program sign-up and deadline dates for the current crop year, as well as contact information.

Quebec milling wheat gains popularity

BY MARK CARDWELL

Grower-led efforts to improve both the quality of Quebec milling wheat and the reputation of a once-lucrative commercial crop with roots to colonial times are proving highly successful.

"Many companies wouldn't touch Quebec wheat just a few years ago (because) of quality issues," says Ramzy Yelda. Yelda is director of the wheat marketing board, an organization created in 2005 by Quebec's commercial grain-growers federation to market wheat to local mills and for export. "But now that it's cleaned, blended and segregated (we get) consistent product that meets specs."

According to Yelda, roughly half of the 140,000 tonnes of wheat grown annually in Quebec is now destined for human consumption. And that grain, which is mostly high quality spring wheat produced by some 800 marketing board-registered growers, is being bought up by big mills in Montreal like Archer Daniels Midland and smaller mills that supply flour to local bakeries.

The most notable of the latter is Première Moisson, a 16-bakery chain with a network of 200-plus growers who supply roughly 40 varieties of wheat for the fast-growing, fresh-French-bread market on the island of Montreal.

Yelda says the industry's rise is creating an economically interesting alternative for Quebec growers, since milling wheat is worth a lot more than feed wheat.

Information compiled on lease rates

BY KEVIN HURSH

The Statistics and Data Development Unit of Alberta Agriculture and Food has compiled information on the actual lease rates paid in 2007 for cropland and pasture. As producers renew and sign new leases for 2008, it could be useful to examine rates from the past year.

The data presented in the report was obtained by contacting custom operators and dealers, so it represents actual charges. For instance, one of the listings for the lease of cropland in 2007 lists 350 acres of non-irrigated land in the county of Red Deer. It was a written three-year lease for \$50 an acre each year. The landlord pays the land taxes, with the tenant covering other expenses.

The lease rate information can be obtained from the Alberta Agriculture and Food website at www.agric.gov.ab.ca by searching for "Crop Lease."



Fixed costs can pose hidden dangers



BY KEVIN HURSH

Your marketing ability is as good as any of your peers. You might not hit all the price peaks, but your strategy is sound and overall returns are impressive.

Production certainly isn't a problem. Your output per production unit ranks right up there.

And you make good choices regarding input costs. You buy early when it's beneficial and you always shop around for the best deals.

Warning: your financial performance may still be poor compared to your peers. Do you know and understand your fixed costs?

Jonathan Small of Meyers Norris Penny in Regina, Sask., works with scores of producer clients and he sees the good, the bad and the ugly when it comes to fixed costs.

The same goes for John Hunt who specializes in agricultural clients with BDO Dunwoody in Hanover, Ont.

Do you know and understand your fixed costs?

Small sees fixed costs among Saskatchewan grain producers that range from a low of \$70 an acre to as high as \$140 an acre. These are producers growing the same crops under similar growing conditions.

While most producers fall in the narrower range of \$85 to \$115 per acre, that still makes the difference between profit and loss in many years.

Small defines a variable cost as one that directly affects gross output. Fertilizer and seed are variable costs in a grain operation. So are crop protection products.

Labour, equipment costs, repairs, and land costs – including rent and financing – are all fixed costs.

Hunt notes that mistakes on fixed costs can haunt you for a long time. A purchasing goof on a piece of farm equipment might be a five-year problem. Paying too much for land might inflate fixed costs for 25 years.

Family living expenses are a fixed cost often included under the category of labour. Many of us underestimate

what it costs the family to live. Remember, this is the amount before personal taxes are deducted.

A family withdrawing \$60,000 a year for living expenses means a \$30-an-acre fixed cost on a 2,000-acre farm. On a 4,000-acre farm, the fixed cost is only \$15 an acre. The same calculation can be done per cow or per sow or other key units of production.

For unincorporated farms, buying more equipment as a way to avoid income tax can be a trap. There are cases where the fixed costs of equipment, interest costs and the future draw for income tax skyrockets from an attempt to control the current year's tax bill.

Both Small and Hunt say the biggest difference between grain producers is typically in the cost of equipment. If equipment costs are out of whack, farms have several options. They can sell some equipment, they can share equipment with neighbours, they can try to obtain more land to farm to spread out the costs, or they can rely more on custom operators.

There's no one correct answer. It has to be examined on a case-by-case basis. The purpose of accurate records and good analysis is to help make the proper decisions for your operation.

Not only can a good farm accountant help you understand your fixed costs, but he or she should also be a good source for knowing how your costs stack up against your peers.

Professional fees like accounting are another fixed cost, but this can be money well spent. ❖



Maintain farm animal health

BY ALLISON FINNAMORE

Keeping farms safe and free of disease is a management best practice that is also good common sense. Taking steps to keep farm animals healthy is as important as keeping money in your pocket. Disease can shut down a farm, rock consumer confidence and slam international borders shut in a matter of a few hours.

Since some diseases spread easily, implementing a biosecurity plan takes careful planning and the ability to take a step back and look at your whole farm. Infection can come from sources like a contaminated water bowl, equipment, feed, a visitor's clothing or footwear, or

contact with wildlife, including vermin.

An agency of the federal government, the Canadian Food Inspection Agency (CFIA) is charged with safeguarding food, animals and plants,

Prevention is the best way to keep animals free of disease.

including helping producer organizations across the country establish bio-security plans. Plans are typically developed at the provincial level by each sector.

Prevention is the best way to keep animals free of disease, and CFIA offers some basic steps to help you ward off infection.

- Consult your veterinarian about common diseases in the region and consider vaccinating the herd or flock for protection. New animals coming to the farm should have a matching vaccination program.
- Know who you're buying from. Know the history and health of their animals.
- Quarantine new animals for a minimum of five days. Choose a separate pen with a separate food and water source, and prevent direct contact.

Wildlife and vermin can also be sources of disease infection. Small, mobile and exposed to the elements, it's anyone's guess what they could bring onto the farm. Debris – like old buildings, piles of wood or piles of spilled feed – is an invitation for these pests to come for a visit, so ensuring the farmyard is kept as clean as possible is good policy.

Visitors come and go, whether it's staff, delivery drivers or your children's friends. Taking measures to ensure they don't leave behind any source of disease infection is another key step in establishing good biosecurity, and it's useful to know if visitors pose a low, moderate or high risk to the farm.

Urban dwellers with no contact with other livestock don't pose as much of a risk, yet providing clean clothing and footwear – disposable is ideal – is still recommended. Limit contact with the animals and ensure soap and water are available for the beginning and end of the visit so the visitor can wash up.

Mechanics, inspectors, salespeople and feed distributors are the types of farm visitors who pose a moderate biosecurity risk to your operation. Travelling from farm to farm, it's easy to see how disease could spread a long distance in a short amount of time.

CFIA also recommends that all visitors who are in contact with feed, water, soil samples, manure or farm equipment wear clean or protective clothing.

Veterinarians, inseminators, processing crews, livestock haulers and neighbours are all classified as high-risk visitors to farms – they're people who have direct contact with your animals and others. Along with the precautions recommended for low- and moderate-risk visitors, CFIA recommends these high-risk visitors use rubber floor mats in their vehicles and remove and disinfect them often, clean their livestock trailers prior to arrival on your farm and clean and sterilize livestock instruments and equipment before using. Disposable equipment is even better.

These basic steps are just the beginning of keeping your farm animals safe and disease-free. You can expand your bio-security plan to include record-keeping, which many sectors are already doing. Veterinarians, local CFIA vets, producer organizations and provincial extension specialists are all sources you can access to help develop your biosecurity plan.

Details on biosecurity recommendations for specific sectors can be found at the CFIA website, www.inspection.gc.ca. Type "biosecurity" into the website's search function. ❖

Spread the word on farm animal welfare



BY ALLISON FINNAMORE

It takes a focused effort to successfully deliver a message – and several animal care organizations across the country have teamed up to do just that.

Animal care organizations from Alberta, Saskatchewan, Manitoba and Ontario have joined forces to form the Farm Animal Welfare Speakers Bureau. Designed to help raise awareness of farm animal welfare and responsible

management in agriculture, the bureau helps send animal welfare specialists to conferences and workshops across the country, to teach livestock and poultry industry producers about the importance of responsible animal management.

“In agriculture, we’re committed to ensuring our animals are well cared for”

“We think it’s crucial to put farm animal welfare on the agenda in this country,” says Adele Buettner, executive director of the Farm Animal Council of Saskatchewan and co-ordinator of the program. “In agriculture, we’re committed to ensuring our animals are well cared for, and we’re investing in research to look for ways to improve. It’s time to spread the word.”

Dr. Claude Mason is a Manitoba veterinarian and Buettner calls him an innovator in farm animal care. He’s one of about 30 speakers involved with the program. “Training, procedures and empowerment are all essential to help people working in the industry assess situations and do what’s right for the animal,” Mason says.

The speakers bureau is a hands-on, face-to-face way you can help educate the farming community about proper animal care and provide new information to help improve animal comfort. Producer organizations or poultry or livestock groups that bring these speakers to their meetings will be doing the industry, not to mention the animals, a huge service.

The message about animal care needs to be taken outside of industry so consumers are getting the message too. Animal care can be a contentious issue for some members of the public, and education is one of the best ways to let people know it’s a concern within industry as well.

When animal care is on the agenda, the heads of producer organizations should extend an invitation to media. Start with the local media and if you don’t already know the reporter who covers agriculture-related news, call the radio or newspaper’s newsroom to find out. If logistics prevent the reporter from attending the talk on farm animal care, offer to arrange an interview with the guest speaker – reporters tend to have their own questions to ask, and will usually try to interview a speaker after a presentation anyway. And have a couple of your unofficial spokespersons nearby and ready to be interviewed to help the reporter round out the story.

It helps to be prepared with resources for the reporter, too. The National Farm Animal Care Council is an organization of industry stakeholders focused on farm animal care, and they help give the topic a national voice. Along with the provincial organizations sponsoring the speakers bureau, members include other business and industry groups like processors, distributors, retailers and representation from the Canadian Federation of Humane Societies. For a more local point of view, put reporters in touch with provincial farm animal care organizations.

More information about the National Farm Animal Care Council is at www.nfacc.ca, and information about the speakers bureau is at www.LivestockWelfare.com.

Often, the most important message that needs to be delivered to the public (see sample billboard below) is something we take for granted within the industry. Animal care is a primary focus for livestock and poultry producers. Focusing on delivering that message is another excellent way to bridge the connection between the producer and the consumer. ❖

On our farms ... we care.



Good marketing includes forward pricing

BY KEVIN HURSH

Canadian grain producers who forward priced a portion of their 2007 crop may be regretting the decision. Most grain prices moved steadily higher in 2007, eclipsing the prices available before harvest.

On the other hand, hog producers who forward priced 2007 production limited the financial damage from a soaring Canadian loonie and dropping hog prices.

Not every decision to forward contract will be a money maker, but pricing commodities before they're produced can be an essential component of an overall marketing plan.

Who can forward contract?

Forward contracting is not a viable option for all commodities, and there are differences from one part of the country to another.

Across Canada, various marketing and pricing tools are available in the grain sector. While grain producers forward contract sales, livestock producers can forward contract the purchasing of feed grains.

In the beef cattle sector, some feedlots hedge the value of the Canadian dollar and use American futures contracts for finished cattle. However, Herb Lock of FarmSense Marketing out of Edmonton says it's more common for feedlots to deal directly with packing plants, including U.S. plants.

"Feedlots often have unwritten contracts with packers," Lock notes. "Often these are long-held relationships."

Cow-calf producers can create marketing options if they're able to consider alternatives other than selling their calves in the fall, but there are virtually no forward pricing tools available.

Part of the problem, Lock explains, is that the sale item is not readily definable. One lot of 600-pound calves can be dramatically different from another.

For hog producers, forward pricing is easily accomplished in some parts of the country, but not in others. In Alberta, the Western Hog Exchange markets about two million of the 3.1 million hogs produced in the province. Ron Landry, assistant general manager of the WHE, says for many years the exchange traded in American hog futures and U.S. dollars to provide a service to its producers. That was dropped in 2006.

"There were many times when producers should have acted to lock in prices and the directors agonized over dropping the service," Landry says. In the end, limited use caused its demise. "When it ended, no one complained."

The primary customer for market hogs in Alberta is Olymel, located in Red Deer. Olymel doesn't offer forward pricing. Yet further east in Saskatchewan and Manitoba, producers delivering to Maple Leaf facilities have the option of forward pricing through the packer.

"Anyone with a Maple Leaf contract can utilize it," Don Hrapchak of SPI Marketing Group in Saskatoon explains. SPI is a producer-run marketing organization in Saskatchewan.

Hrapchak notes that a few producers locked in prices of around \$140 per hundred kilograms for much of their 2007 production. With the severe downturn in hog prices, this was often \$50 per hundred kilograms above the market price in the last quarter of 2007.

In Ontario, producers can utilize forward prices provided by the packers or they can utilize the system operated by Ontario Pork. In Quebec, a system similar to the one operated by Ontario Pork is available.

Patrick O'Neil, sales team manager with Ontario Pork, estimates only two to three per cent of the market hogs produced in the province are hedged with packers, while only another two per cent are hedged with Ontario Pork.

"A hog producer often markets every week," O'Neil notes. "This is a fundamentally different type of marketing than

a grain producer.” As well, O’Neil notes that there is really no “weather market” when it comes to hogs.

A zero-sum game?

No doubt there are times when a forward contract will make you money. There’s also no doubt that forward contracts can end up below the corresponding cash prices. If losses counteract any gains over the long term, why bother?

James Reesor runs RFW Farms Ltd., which has hog operations in the Waterloo, Perth and Wellington Counties of Ontario. He contracts hogs from a number of other producers and in total markets about 60,000 animals a year.

Reesor accepts the premise that forward contracting is a zero-sum game overall. It cost him money in 2006 and he had to resist the urge not to contract 2007 production. But during the summer of ’07, he did contract some fall production and it saved him from taking such a major hit on revenue.

“You have to try and keep discipline in your farm management decision,” Reesor says. “The psychological wall is the greatest challenge. You have to be tough enough to make the call and live with the decision.”

Steve Twynstra runs a large, diversified cash crop operation near Ailsa Craig, Ontario. He follows grain markets continuously and is always looking to make incremental sales for the next crop and even the one after that. He believes prices are overwhelmingly better in advance and it can be much more than merely the time value of money.

“I’ve sometimes gone into harvest with 80 per cent of my expected yield contracted,” Twynstra says. The only time he’s usually out of the market is the two-month period right around harvest when prices are traditionally depressed.



Dianne and Steve Twynstra look for opportunities in forward pricing.



Pitfalls

Whether it's dry beans in Ontario or field peas on the Prairies, forward contracting can be as easy as signing a deal with a buyer. Some of these contracts have an Act of God clause so the producer doesn't have to come up with the crop in the event of a crop failure.

Prices are typically a bit higher with the deferred delivery contracts available for various grains. However, the producer is taking the production risk and must come up with the product or pay any price difference.

Producers using the futures markets for crops like soybeans, wheat, corn and canola rather than contracting through a company can enlist the services of a broker, but they should also be aware of production risk.

Twynstra was caught short of winter wheat in 2007, when the previous fall was too wet to get all of his intended acreage seeded. Fortunately, he was able to limit his losses by negotiating the rollover of his contracts until the following year.

Rewards

"Good marketing isn't done at the coffee shop," Twynstra cautions. "It isn't glamorous, but it can be a competitive advantage."

"Limit the people you listen to," James Reesor advises. "You have to fight the hope that prices are going to get better and in the end you have to own your decisions."

Both Steve Twynstra and James Reesor believe the cornerstone of effective marketing is good information and diligent, ongoing analysis. And a strong marketing plan is likely to include forward pricing components. ❖



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Lease, buy or hire custom

BY LORNE McCLINTON

The numbers tell the story: \$4 corn, \$11 soybeans, \$8 wheat and \$12 durum. Prices for just about every grain are better than they have been in years. Many producers are taking advantage of the strong returns to update their farm equipment. While buying equipment is the best decision for some farmers, others would be better off to either lease or hire a custom operator to perform the operation for them.

The best option will depend on each producer's unique set of circumstances says John Molenhuis, Business Analysis and Cost of Production Program lead at the Ontario Ministry of Agriculture, Food and Rural Affairs in Brighton.

A producer's cash flow and tax position are part of the equation, but labour issues and mechanical abilities also help decide the best course of action.

"There are a lot of pros and cons either way," says Ted Nibourg, business management specialist with Alberta Agriculture and Food in Stettler. "Each individual has to assess their equipment decisions on their own merits."

One of the biggest costs in farming is pretension. In my experience, and I've been at this a number of years, there's probably more prosperity in older but well-maintained equipment than there is in a bunch of shiny paint. I like to say that farmers have to farm for themselves and not their neighbours."

The decision to buy, lease or custom hire revolves more around a producer's priorities than around cost. "If maintaining cash flow is a priority – leases tend to have lower annual costs than buying," Molenhuis says. "But at the end of the day you don't own that piece of machinery and you haven't built up any equity."

Owning and leasing equipment have different tax implications. You are usually able to write off 100 per cent of your lease expenses against your income, but you are limited to the annual maximum capital cost allowance deductions when you buy.

Who's responsible for repairs and maintenance is another variable. When you buy equipment, you are responsible for any repairs. When you lease that may not be the case. Be sure to understand your lease agreement.

Nibourg has been tracking producers' average machinery investment in Alberta for a number of years. Grain producers typically tie up less than two times gross revenue on machinery.

"The long-term average that I've got right now is about 1.96 (times gross revenue)," Nibourg says. "If you get over that ratio you can start running into cash flow problems. Machinery depreciates, repairs start adding up and of course operating costs increase. That means if you start getting over that ratio you should be looking at either taking on more land or reducing equipment."

The problem producers are now running into is that farm machinery is getting bigger and more expensive. Land costs in many regions have risen to the point that buying more land may not be the best economic decision either.

If your farm is starting to become machinery-heavy, another option is hiring a custom operator to perform some operations. This has two advantages. First, it eliminates buying a costly piece of machinery. Second, contracting a custom operator reduces your farm labour requirements.

"Availability of skilled machinery labour is certainly a concern for farmers," Molenhuis says. Skilled workers are hard to find. Producers increasingly have to compete with other industries for the limited supply that is available.

The decision to buy, lease or custom hire revolves more around a producer's priorities than around cost.



“Are there pieces of machinery that you don’t absolutely need?” Nibourg asks. “Until this year, sprayers lent themselves to custom situations for a number of reasons. A decent large sprayer is expensive and maintenance can be costly. Regulations for handling herbicides can be quite onerous too.”

Club root of canola has emerged as a major problem in Alberta. To keep the disease from spreading from farm to farm on contaminated equipment, custom applicators in that province will have to follow a rigorous cleanup protocol with their equipment. The prices for their services will likely rise to reflect increased cleaning and liability costs. Rates could rise high enough that many farmers will be forced to have their own equipment.

Cost-benefit and cash flow analysis and input from your accountant can be a big help in deciding if buying, leasing or hiring a custom operator is the best decision.

There is also a wide range of material available on the Internet. “Machinery ownership and machinery replacement and purchase are universal concepts,” Molenhuis says. “It doesn’t matter if you look at Ontario or U.S. information.”

Look up an OMAFRA factsheet on leasing at www.omafra.gov.on.ca/english/busdev/facts/01-003.htm. A factsheet written by Molenhuis on budgeting farm machinery costs can be found at www.omafra.gov.on.ca/english/busdev/facts/01-075.htm. Molenhuis also recommends one from Iowa State that can be found at www.extension.iastate.edu/Publications/PM787.pdf.

Alberta Agriculture has an online calculator that lets you quickly compare different scenarios. Their machinery calculator can be found by typing “machinery calculators” in the search engine at www.agric.gov.ab.ca. ❖



Improve marketing options with volume



BY HUGH MAYNARD

Producers can tightly control what they produce, from both a production standpoint and a management perspective.

Producers have been wrestling with alternate forms of marketing for years in the continuous search to improve revenues, especially for locking in prices to reduce uncertainty – forward contracting. These have tended to be individual agreements, but it’s interesting to note that supply management is a form of forward contracting. It’s an agreement to deliver a pre-determined quantity of product at a set price (albeit on a mass scale), and one under which the dairy and poultry sectors have done well. It works well because these producers can tightly control what they produce, from both a production standpoint (hectoliters per cow and kilograms per bird) and a management perspective (quota). And what makes it work well is that both parties “deliver the goods.” Producers supply what the market needs in terms of both quantity and quality, and processors purchase at a pre-set price. Everybody’s happy – well, most of the time!

For other commodity sectors, this is the key: making sure that both sides of the bargain are fulfilled. Meeting the contractual obligations in forward contracting is constantly challenged by the vagaries in the weather and other production variables, by smaller farms that can’t always come up with the quantities necessary to meet all the delivery requirements and the processors that have to deal with market fluctuations.

As farms have become larger in size, it’s been easier to have the necessary quantities on hand and manage the quality requirements of contracts, but for niche products and smaller-sized farms, forward contracting can be problematic. One option is to pool production between smaller producers or commodity units – call

it a co-op with a limited scope, or even a mini-supply management system – with the aim of assembling the right combination of quantity and quality for delivery at the right time.

These types of enterprises take effective organization among participants and the establishment of trust. One place to start is to join a marketing or production club where you can talk over marketing issues and strategies with other producers and make those network contacts that build business relationships. Google “agricultural marketing clubs” in Canada and the top 10 hits will provide lots of information. Viterra (formerly Saskatchewan Wheat Pool) also has a publication on forward contracting available for download at www.swp.com/marketing_solutions.html, as does the Canadian Farm Business Management Council at www.farmcentre.com/Resources.

Forward contracts take planning and management resources for individual farmers, so embarking on this route as a “band of merry men” in search of riches is likely to be disappointing if not financially dangerous. The potential benefit, however, is that the band, or pool of producers, gets to reap the rewards for themselves rather than handing a slice of the additional revenue over to an intermediary. Becoming well informed about contracting and being clear on responsibilities and expectations are essential to the long-term success of such initiatives. ❖



Plan for natural disasters



BY PETER VAN DONGEN

It's no secret that natural disasters pose unique challenges for agricultural producers. The catastrophic flood in Manitoba's Red River Valley in 1997, the Eastern Canada ice storm in 1998, and the severe drought that swept across the Prairies in 2002 are just a few recent examples that come to mind. Last year's flood threat in British Columbia's Fraser Valley was yet another case in point.

"You've got to have plans in place."

By last April, the B.C. Ministry of Environment was warning record high snowpacks had accumulated throughout the Fraser River watershed.

With some areas sitting at over 200 per cent of normal, serious concerns were mounting that a quick melt would trigger potentially catastrophic flooding. The Fraser River floodplain accounts for the vast bulk of B.C.'s farm cash receipts. It was predicted that a severe flood would have affected up to 70 per cent of the provincial dairy herd and a major portion of its poultry flock.

So serious was the risk that officials told producers to make alternate arrangements for their livestock in the event a mass evacuation was required. The B.C. Ministry of Agriculture and Lands set up an emergency operations centre in Abbotsford and both the dairy and poultry sectors formed emergency operations committees. Using aerial mapping, 45 dairy farms with 5,200 milking cows and a total of over 10,000 animals were deemed to be at high risk for flooding, along with five poultry flocks with about 275,000 birds.

In early June, B.C.'s River Forecast Centre predicted the Fraser would peak between seven and seven and a half metres at its Mission gauge – the highest level since the last major flood occurred in 1972. For some producers, the dire prediction was a call to action.

Organic dairy producer Ben Brandsema of Nature Glen Dairy was one of the first to respond. He moved his young stock and dry cows to another nearby organic dairy, while also moving feed and equipment to higher ground. The only thing he didn't move was the milking herd. "You

never like to move milk cows if you can absolutely help it," he says. "I was going to wait for more updates. I knew we could move what was left in five to six hours."

Fortunately, Brandsema never had to carry out the remainder of his plan. The river crested closer to six metres – well below the original prediction – and a major flood was averted. But not before seven dairy farms moved 900 animals, including 275 lactating cows, to higher ground. In addition, most of the high-risk poultry farms were depopulated well in advance of the high water and remained empty until the flood risk subsided.

"Flooding is a potential issue every year and this was probably the most anybody has ever done," Brandsema reflects, noting the value of preparation. "At the end of the day, I think it's always best to take care of yourself – you've got to have plans in place."

Some scientists now suggest climate change will only increase the frequency and intensity of natural disasters. To help you weather the storm, you can download a free guide, *Planning for and Responding to Natural Disasters in Canada*, from the Canadian Farm Business Management Council website at www.farmcentre.com. ❖



Research vital for fuelling conventional and organic farming



BY OWEN ROBERTS

In the last decade or so, stellar examples of this country's commitment to research have bloomed. There's no question the nation doesn't get enough credit for it, likely because research is like communications – you can never do enough and there's always someone lined up to say you should do more.

Maybe we should. But here and now, you can find superb support for research right across Canada.

You can find superb support for research right across Canada.

For example, in the past decade Canada's largest scientific granting research council, the Natural Sciences and Engineering Research Council, has invested more than \$6 billion in basic research, university-industry

projects and training Canada's next generation of scientists and engineers, some of whom work on challenges and opportunities in agriculture.

Then there's the Canada Foundation for Innovation, an independent corporation created by the government of Canada to fund research infrastructure such as scientific equipment. Since its inception in 1997, the foundation has committed almost \$3.8 billion to 5,551 projects at 128 research institutions across Canada.

Another federal initiative, the Canada Research Chairs program, was established eight years ago. Its goal was to have 2,000 specialized research professorships in place in universities across the country by this year. This program invests \$300 million a year towards attracting and retaining some of the world's most accomplished and promising minds.

Provinces get solidly behind research as well. One example is the \$50-million annual research agreement between the Ontario Ministry of Agriculture, Food and Rural Affairs and the University of Guelph. It ensures infrastructure is in place to meet the needs of Ontario's diverse agri-food and rural sectors.

And let's not forget the vital system of federal agricultural research stations, or the Advancing Canadian Agriculture

and Agri-Food Program and its predecessor, the Canadian Adaptation and Rural Development fund, which has supported thousands of research projects.

But even with all this funding and more, gaps exist. Researchers interested in certain promising but not yet proven or mainstream fields, such as organic farming, still have to slug it out for support. It's harder yet when funding programs require a mix of government and private support, or when incentives are offered to match government money with private sector support. Where is an organic agriculture researcher supposed to get major private sector support?

Enter the Canadian Wheat Board (CWB) and its Organic Sector Market Development Initiative. This program will contribute up to \$200,000 per year – all of which is considered private because of the wheat board's status – for projects benefiting organic wheat and barley on the Prairies. Farmer representatives serve on the project selection committee, to offer some field-level perspective.

Globally, Canada isn't exactly an organic powerhouse. The International Federation of Organic Agriculture Movements places us 30th in the world, with 3,673 organic farms. (Mexico is first by far, with around 120,000 farms, followed in distant second by Indonesia with about 40,000.)

But maybe if Canada develops a uniquely organic version of a major crop such as wheat, its position will improve. Researchers at the universities of Saskatchewan and Manitoba, the federal cereal research lab, the Organic Agriculture Centre of Canada at Truro, N.S., and its Prairie research arm are gaining ground on new organic wheat varieties developed under wholly organic methods and conditions.

Although organic yields are lower, demand is high. Organic specialist Donna Youngdahl at the CWB says sales have increased 20 per cent per year since 2003. "The markets," she says, "are hot."

And continued research will help ensure Canadian producers don't let the opportunities cool. ❖

Include safety in your spring planning

As spring arrives, you are likely gearing up for one of your busiest seasons. Busy is good, but busy can also be dangerous. If you're rushing from task to task, it's easy to forget your own physical well-being or realize that others on your property might not know the place as well as you do. That's when accidents and injuries can happen.

According to Statistics Canada, approximately 15 per cent of agriculture-related injuries involve back injuries. Eighty-four per cent of farm-related strain and sprain injuries are caused by manual overexertion, followed by animal-related incidents, machine-related overexertion and falls.

While nobody wants to get hurt on the job, a work-related injury is arguably more stressful for the self-employed. If you're the only one doing the work, who steps in? How does your business cope?

"Producers know they need to be careful, and a reminder never hurts. Sometimes we just need to put those thoughts on the top of our to do list, rather than somewhere at the bottom of page 2," says Dan Bergen, Farm Credit Canada's Executive Vice-President and Chief Operating Officer.

That's why FCC has partnered with the Canadian Agricultural Safety Association and Agriculture and Agri-Food Canada for seven years to promote the importance of farm safety.

"Farmers and farm workers have a dual role in risk management," explains Greg Stewart, FCC President and CEO. "They can be a source of risk if they do things carelessly and they are the most important part of the strategy for dealing with risk. That's why it's so important for owners and operators to lead by example and always insist that work is done in a safe way."

This year's campaign will be launched during Canadian Agricultural Safety Week, March 12 to 18. The campaign encourages you to think through your work and find ways to reduce the risk of sprains, strains and falls.

As a farm owner or renter, you also have legal responsibilities for the safety of your workers, guests, clients and customers. You owe "a duty of care" for the reasonable safety of everyone on your property. This means maintaining your property as a safe environment and posting warning signs to discourage non-workers from entering service areas.

Conducting regular safety inspections and documenting the results is an essential part of every farm safety program. Inspections will not only help reduce or eliminate potential injuries, they will also demonstrate due diligence proving that you maintain a commitment to inspect, repair and document the conditions of your property on a regular basis.

More information on Canadian Agricultural Safety Week is available at www.casa-acsa.ca or www.cfa-fca.ca or www.fcc.ca.



Think safety

Identify hazards on your property

Walk around the property and look closely for potential hazards that can cause slips, trips and falls – entranceways, aisles, washrooms, stairs, and other frequently used areas where there are unexpected elevation changes.

Establish a farm safety program with regular inspections

Designate a key person to co-ordinate the plan and ensure all employees understand and follow procedures. Schedule regular inspections to identify potential hazards or maintenance issues. Search "farm safety audit" on the Internet to find checklists and templates to help you do inspections.

Document and record procedures

Document and record all inspections, maintenance procedures and practices implemented.



CAUTION CAUTION CAUTION

5 ways to prevent repetitive strain injury

Practice good posture. Avoid awkward reaches, positions or angles of the body when sitting, standing or performing activities for a considerable time. Relax, move around and shift positions frequently. Keep your back straight.

Stay warm and stretch. Cold muscles are less flexible and much more susceptible to injury and strain from overuse. Keep your hands warm!

Use caution when lifting. Be close to the object. Do not bend over to lift. Keep your back straight and lift with your leg muscles. Do not twist your body while lifting.

Reduce your stress. Stress results in high blood pressure, restricted blood flow and muscle tension, all increasing your risk of repetitive strain injuries.

Listen to your body. Pain is your body's way of telling you it is in trouble. Listen!

CAUTION CAUTION CAUTION

What matters to you?

When it comes to farm safety, you never know what's on the horizon. That's why you should take a second to remind yourself why safety is important. It affects you, your family and your bottom line.

So whether you're working with machinery, chemicals or livestock, take a few extra steps to ensure you're working smart. Safety matters.

2008 Canadian Agricultural Safety Week
March 12 – 18



Safety matters



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