Farm Credit Canada

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May/June 2008

AgriSuccess

JOURNAL

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Building retirement into your business plan

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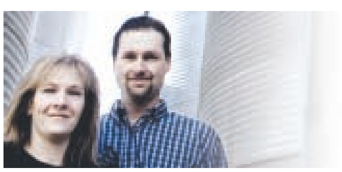

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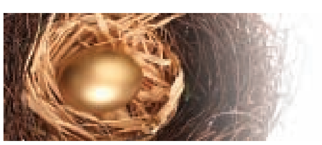

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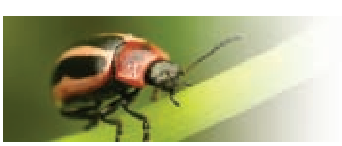

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On the cover:
Graham Hennigar in his storage facility in Sheffield Mills, Nova Scotia.

Cette publication est également offerte en français.

AgriSuccess Journal has been honoured with industry and trade publication awards, including:

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

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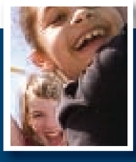

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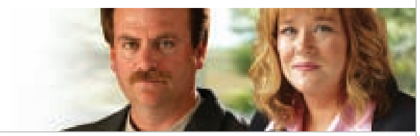

FROM KEVIN HURSH AND ALLISON FINNAMORE

Strong production practices and good marketing are pillars of a successful farm operation, but there's more. Financial management plays a pivotal role too and that's the topic we delve into in this edition of AgriSuccess Journal.

Financial management means being informed of new possibilities, taking calculated risks and sometimes, moving slightly out of our comfort zone.

Take outside investment into primary agriculture, for instance. The mere thought for some may be intimidating, yet there are producers using outside money to help reach their business goals. With some information tailored to your farm and sound professional financial advice, it could be an alternative to debt financing.

Many different debt financing instruments are available, but interest-only loans are a relatively new option for Canadian producers. Again, it could be an option that pushes the envelope, but some who have embraced this approach to financing point to a number of advantages.

With all that needs to be done to keep a farm viable, retirement planning often takes a back seat. Every farm is different and everyone has different needs, but this issue has some information for you to think about.

For instance, have you ever explored a life insurance policy as an off-farm investment? It can provide a way to successfully transfer the farm to the next generation while providing for non-farming offspring.

Professional help is available for all aspects of money management. In fact, there should be a number of experts on your financial team. In the end though, the decisions are yours to make. You don't need to understand all the intricacies, but a firm grasp of the options can help you make those important decisions.

We hope you find the stories useful and interesting. And we appreciate any ideas you have for future stories. To contact us, e-mail info@AgriSuccess.ca or call 1-888-332-3301.

For ongoing agriculture news, 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 publication as well. If you aren't already a subscriber to the Express, just go to Farm Credit Canada's website at www.fcc.ca and click on "Ag News" and then "AgriSuccess Express."

Kevin Hursh   Allison Finnamore

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

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New graphing feature tracks grain prices

BY D. LARRAINE ANDREWS

The Alberta Grain Commission has added a new graphing feature to its website that allows users to track grain prices over the past three, six or 12 months.

Other options provide additional choices to fine-tune the search process. Users can compare prices of a specific grain in two locations. For example, Lethbridge canola and Vancouver canola can be plotted on the same graph. Alternatively, two different commodities can be charted for one location.

The graphs are available for six different commodities including canola, feed barley, feed wheat, flax, oats and rye. Prices can be quoted in either tonnes or bushels.

Check out the website at www.agric.gov.ab.ca/agc. Click on Grain Price Information and AGC Closing Daily Market Price Report.

Net farm income outlooks for 2008

BY KEVIN HURSH

The 2008 farm income forecast for Canada shows a dramatically different outlook among the various kinds of agricultural enterprises.

The greatest net income per farm is expected on dairy operations. Although down a bit from 2007, the average dairy operation is expected to have a net income of $90,518.

Next highest is horticulture at $86,833. This number has gradually risen each year since 2004.

Grains and oilseeds producers have an average net farm income expectation of $76,093 for 2008. This number rose dramatically in 2007 and is expected to increase a similar amount this year.

Even though farm market receipts are the highest for hog producers, expenses are expected to outpace receipts, meaning a net loss of $3,517 for the average producer. Back in 2005, the average net income was over $100,000.

For cattle operations, income is expected to continue its gradual slide with the average cattle operation expected to have a net farm income of negative $5,076 in the current year.

Net farm income does not include an allowance for depreciation expenses or off-farm income. Farm income forecasts are developed by Agriculture and Agri-Food Canada in collaboration with provincial governments and Statistics Canada.

Consider COW, MOO and DBA

BY LORNE MCCLINTON

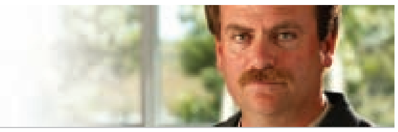
COW has slightly outperformed MOO in January but both fared poorly compared to DBA. If you are like most producers, you have probably never heard of MOO, COW or DBA. The three are the trading symbol names of popular exchange-traded funds (ETFs) targeting the agriculture sector.

ETFs are a fast-growing class of investments that, in some ways, resemble mutual funds. However, unlike mutual funds, they specialize in specific sectors of the economy like agriculture. For investors, they are an inexpensive way to target an industry without having to follow individual stocks or commodities.

DBA, which tracks the value of corn, soybeans, wheat and sugar on the Deutschbank Liquid Commodity Index, did very well through January's market turmoil. Funds, like MOO, Market Vectors Global Agribusiness ETF, and COW, the Claymore Global Agriculture ETF, that follow the share value of well-known companies like Monsanto, Agrium, Bunge, and Deere and Company, were buffeted by the market storm.

If you search for ETFs on the Internet, you'll find all sorts of information.

Interest-only loans may have a place on your farm



BY KEVIN HURSH

In Hans Wesseling's home country of Holland, it's common for producers to purchase farmland with loans that require interest-only payments. In fact, this type of lending is common in many European nations, necessitated by land prices that typically dwarf Canadian values.

In May 2004, Hans and his wife came to Canada and he spent a year researching farming practices and land values before buying irrigated land northwest of Vauxhall, Alberta.

He had the returns from selling his 75-acre farm in Holland, but he needed financing to make his start on a much larger acreage in Canada. His financing instrument was an interest-only loan from Farm Credit Canada, a loan FCC calls the Cash Flow Optimizer.

Having some interest-only financing has a number of advantages.

For Wesseling, it makes sense to finance a long-term asset in this manner. However, for many Canadian producers, interest-only loans may feel risky. There's an ingrained belief that the faster you can pay off your debt, the better off you'll be. In effect, principal payments on farmland are a system of forced savings.

Lyndon Carlson, FCC's Senior Vice-President of Marketing, says there's growing use of interest-only financing in this country, but it's far from a preferred loan.

One of the biggest fears is a spike in interest rates. Back in the early '80s, rates in the upper teens took a big toll on the farm economy.

"There's much determination among the central banks of Western nations not to see interest rates that stall the economy," Carlson notes. "No double-digits on the horizon, let alone the rates of the early '80s."

While producers should always have significant equity in their farm, having some interest-only financing has a number of advantages. Chief among those is the ability to use the money that would be going to principal payments for something else.

There are also income tax issues. In the early years of an amortized loan, most of the money goes to paying interest and the interest is fully tax deductible. In the final years of the loan, most of the money is going to pay the principal. The same amount of money is going out, but the income tax deduction has evaporated.

With interest-only loans, principal payments still aren't tax deductible, but you can make them whenever it's most advantageous.

Many producers rent land rather than buying, because renting is more affordable. Making a down payment on the land and financing the rest with an interest-only loan will result in annual payments that are closer to the rental rate.

By owning rather than renting, the risk of the landlord doing something else with the land has been eliminated. You also participate in any increase in land values. Real estate has typically been a good long-term investment.

Interest-only loans offer some advantages and it is worth considering how this option might fit into your overall business plan. ❖

Never far from home

BY ALLISON FINNAMORE

Graham Hennigar's advice to farm youth today may make some cringe. As rural communities across the country fight to keep their communities alive and their youth at home, Hennigar says rural youth should spend some time away.

"I would encourage anyone to go away for a while," Hennigar says from his apple orchard in Nova Scotia's Annapolis Valley. He left the family farm shortly after graduating from high school, travelling about 100 kilometres away to university in Halifax and then going just about as far as he could get from the family farm – Australia. Then, after nine years in British Columbia, he returned to Nova Scotia and the farming life he grew up in.

Working in any family business can be challenging and farming isn't any different.

He's confident other young people will do the same. "You always come back," he states.

A few thousand miles has given Hennigar the benefit of hindsight. Now 39, he says it was always obvious he would take over the family farm, but it was a vision he couldn't see as a teenager.

"I always had that in the back of my mind. I would come back, but in the front of my mind, it kept changing," he explains.

Hennigar is a third generation apple producer in the community of Sheffield Mills near Kentville, N.S. He has 85 acres of apples and just over two acres of peaches. His brother Geoff farms nearby and together, along with another producer, they operate a packing and warehouse facility.

Hennigar's father Laurie continues to be involved in a management role and his uncle Richard, Laurie's brother, farms nearby.

Leaving the farm as a teen, Hennigar received his commerce degree from St. Mary's University in Halifax and then hit the road to Australia. After returning in the early 1990s, he travelled across Canada and settled on the West Coast, eventually working in the financial industry.

The thought of returning to the family farm continued to work its way to the forefront of Hennigar's mind, even while life was leading him down that path. He says after nine hectic years in the financial industry, he was ready to be his own boss on the peacefulness of his own farm. At the same time, he and his wife Mona were starting a family (their daughter Hayley is now three) and his father was thinking about selling the farm.

Working in any family business can be challenging and farming isn't any different, Hennigar notes. He acknowledges the strong dynamic within his family.

"They're great sources of information," Hennigar says about his family, adding that in addition to production advice, his father manages apple sales from the co-owned warehouse, while he and his brother independently manage their own farms.

As young people leave the farm and rural communities, Hennigar offers an optimistic perspective about their journey. Instead of focusing on their departure, he looks forward to what they'll bring back when they return home.

"You'd go stale without leaving – you'd lose that excitement. By leaving, you rekindle the romance with farming," he says. ❖

Graham Hennigar of Sheffield Mills, N.S. holds a bag of apples packaged by Blomidon Produce Ltd., his family-run packing company started by his grandfather.

Taking the consumer's pulse

BY ALLISON FINNAMORE

The idea that lentils may soon be considered one of this country's newest super foods isn't too far off, thanks to industry-wide collaboration.

Pulse crop organizations have recognized the potential for dry beans, chickpeas, lentils and dry peas for some time. Foreign market demand is strong, with about 80 per cent of the crop exported. Yet as Canadians increasingly shift to healthy eating, the industry sees the opportunity to increase domestic demand by investigating the health benefits of pulse crops. If the advantages are as great as they suspect, connecting these health benefits to consumers could drive up demand across the country.

Pulse production has quadrupled in Canada over the last 15 years.

Peter Watts is director of market innovation for Pulse Canada, the industry's umbrella organization. "Canada's pulse industry is in the midst of an intensive effort to increase North American awareness of pulse foods, their nutritional benefits and opportunities for use in food processing," he says.

According to Pulse Canada, pulse production has quadrupled in Canada over the last 15 years, making it the country's fasting growing crop sector. Pulse Canada initiatives are targeted at increasing North American consumption and showcasing pulse crops as good sources of protein and fibre, which could be useful in everyday foods like cookies, muffins, cakes, pasta and tortillas.

"We're working with food processors to show that competitively priced pulse ingredients can be used in a wide variety of food applications, from snack foods to entrées," he says. "Adding pulse flour to muffins, for example, is an easy way for processors to boost the nutritional value of a popular mid-morning snack."

Canada's Food Guide (available from Health Canada offices or at www.hc-sc.gc.ca) recommends pulse crops replace meat "several times a week" in our diet. A serving of pulses, the guide states, is 175 millilitres, or three-quarters of a cup.

Pulse Canada is also involved with research into the impact of pulses on hunger and energy levels.

At the University of Toronto, scientists are in the midst of studying whether a breakfast of different pulses can postpone afternoon hunger pangs. As well, scientists are looking at how pulses influence appetite control, blood glucose and blood cholesterol.

Meanwhile, University of Saskatchewan researchers have teamed up with soccer players to study the impact of a pre-game meal of lentils. If studies show that lentils boost energy and improve performance, lentils could be promoted as a readily available nutritional aid for endurance sports. Research has already shown lentils to be low in fat and high in protein and complex carbohydrates.

With solid research, industry-wide participation and support, the time for pulses to become Canada's new super food may not be that far away. It's exciting to see producer organizations round-out the marketing process for their members and help bridge the gap to domestic consumers. ❖

Outside investment
in primary agriculture

BY KEVIN HURSH

According to an old adage, producers live poor and die rich. While this is a broad generalization, there's more than a grain of truth.

The cash surplus in a farm business may often seem meagre, but net worth increases over the years as machinery, buildings and land is accumulated. If the land base or production quota appreciates in value, this too can add to the wealth at the end of a farming career.

If you ask producers about their off-farm investment strategy, many will tell you that almost everything is invested back into the farm and the farm is also their retirement strategy.

Some producers are taking a different approach. They're using money from outside investors to help accomplish their financial goals.

Outside investment in farmland is booming in Saskatchewan. Restrictions regarding out-of-province ownership of farmland were removed half a dozen years ago and the last couple of years have seen grain prices go from dismal to exciting. The result has been an influx of money to buy farmland.

Saskatchewan has the lowest farmland values in the country, leading investors to believe the asset is likely to appreciate in the years ahead.

There are private individuals buying farmland and there are companies set up for the purpose of buying farmland that spread their risk by buying in a number of locations. In the majority of cases, the land is rented to the original owner.

Exit strategy

For some producers, selling their land and leasing it back provides a way to transition out of farming. The main asset has been liquidated.

The deal is appealing because they've received an acceptable price for their land. They can use some of that money to reduce or eliminate debt load and they can, perhaps, make some off-farm investments.

Outside investors are typically purchasing good quality farmland. Certain geographic areas are seeing much more activity than others. When offered what seems like a good price, some producers become interested even though they hadn't previously considered selling. They're inclined to take what's on the table in case there isn't an interested buyer when they want to retire.

Ongoing business

Norman and Laura Shoemaker have sold 75 per cent of their land base to outside investors, but their motivation is much different. As young, progressive grain producers from Mossbank in south central Saskatchewan, they wanted to separate the business of farming from their long-term investment strategy.

Cropping over 5,000 acres, the Shoemakers still own some of their land and they still rent land that they've never owned, but now they also rent a significant acreage that they used to own.

Chosen as Saskatchewan's Outstanding Young Farmers and one of two couples chosen as Canada's Outstanding Young Farmers for 2007, Norman and Laura have shared the basics of their business plan at numerous farm meetings.

One of the crops grown by Shoemaker Agro is kabuli chickpeas. While that isn't a major cropping choice for 2008, in years when a significant acreage of this specialty crop is seeded, the input costs for seed and fungicide are very high and extra cash is needed.

"We don't use the money from selling the land to invest in machinery," Shoemaker says, noting that would defeat the overall purpose.

One of the drawbacks to selling land and leasing it back is the uncertainty of renegotiating leases. Shoemaker is optimistic that they'll be able to continue reaching deals that satisfy both parties. "Investors want good people in place," she notes.

Norman and Laura Shoemaker at their operation in Mossbank, Saskatchewan.

Limitations

The farmland market in most parts of Ontario is quite different than in Saskatchewan. There's not much land on the market, many producers see value in adding to their farmland holdings and prices are reflective of the many alternate uses beyond agriculture. As well, intensive livestock operations must have an adequate land base for their manure output.

Ontario's dairy industry, like the dairy industry across the country, continues to consolidate. Jeff Stanton, together with his brothers and parents, is involved in a number of farm enterprises near London, one of which is an 800-cow dairy.

"While 60 to 70 cows is the average in the province, you're seeing more 500-plus dairies," says Stanton.

The value of milk production quota has dropped a little bit in the past couple of years, but the production quota to expand a dairy by 100 cows costs nearly $3 million. That's before the cost of the animals themselves, expanded facilities and any additional land base that may be required.

With predictable returns for efficient dairy operations, it would seem to be an opportunity that would appeal to outside investment capital.

"The Milk Board would frown on that sort of practice," says Stanton, noting that the aim is to retain family dairy farming operations. For that reason, debt financing, rather than outside investment, remains the main financing tool for expansion. Of course, the Milk Board has no issues with a producer renting land or renting out land.

Investment in canola production

When there are no policy restrictions, profitability attracts money. Pike Management Group based in Alberta has launched a new company called AgStream Inc. Through AgStream, private and institutional investors enter into joint ventures with producers on canola production.

Pike Management Group is a farm business and market advisory service with over 120 farmer clients across Western Canada. Most are large operations and many of them are rapidly expanding making access to operating capital a big concern.

Take for example a participating Pike Management Group farmer member with a three-year average canola yield of 35 bushels per acre. The variable and fixed costs to grow the crop, including a 15 to 20 per cent allowance for return on investment for the producer, are assumed to be $300.

In a 50/50 joint venture with AgStream, the producer would receive $150 in cash for each acre of canola grown on the farm. For its contribution, AgStream would get half of the canola produced.

Any canola above the average of 35 bushels per acre would be divided, with three-quarters going to the producer and one-quarter going to AgStream. In the case of a crop failure, AgStream would take a loss just like the farmer.

Going into the 2008 growing season, AgStream was aiming to raise about $20 million to invest in over 100,000 acres of canola production. The same approach could be applied to other crops.

Assessing the opportunities

Does outside investment have a role to play in your farm operation? It's certainly not the way primary agriculture has traditionally approached financing. However, some producers are finding this approach can help them meet their business objectives. ❖

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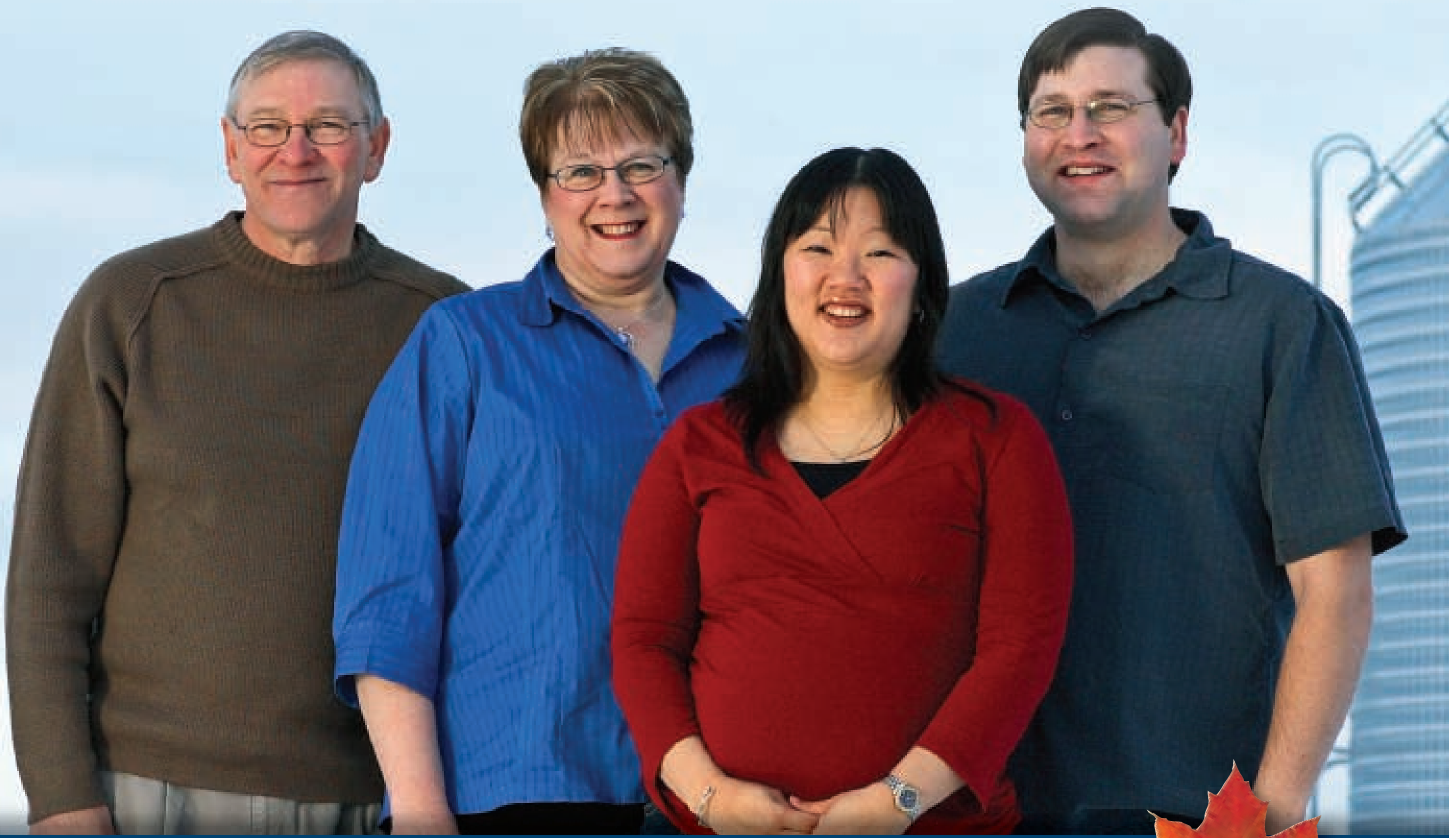

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Building retirement into your business plan

BY ALLISON FINNAMORE

Perhaps it's our instinct as human beings to deny we're aging – living in the moment of forever young. Or maybe we're too caught up in the daily grind to realize that time marches on.

Whatever the reason, retirement planning can be a stumbling point for many Canadians, including producers.

Richard Bradford, a certified financial planner with LifeLegacy Wealth Management in Red Deer, Alta. says producers should incorporate retirement planning into their business plan. And it's key, he says, to remember that each retirement plan is as unique as the individual. There is no one-size-fits-all plan.

"It is so important that advice be customized to the specific needs of each farm family," Bradford says.

Tax management is a key consideration for anyone selling or transferring ownership of their farm business, especially when it involves qualifying for the $750,000 Capital Gains Exemption or access to the Farm Rollover provisions in the event of farm succession. Bradford says producers need to consider whether they will be selling the assets of the business or the shares and determine the impact of that decision on qualifying for the CGE. Through sound tax planning, money that would otherwise go to taxes can be used to enhance quality of life in retirement.

Bradford also points out that the business structure of a farm – sole proprietorship, partnership or corporation – will also have a direct influence on the tax management options.

"It is so important that you plan your business exit strategy well in advance," Bradford says. "If succession is involved, consider whether the farm can support two families and what strategies should be implemented to ensure quality of retirement is not compromised by adverse trends within the farm business."

If a producer is making an outright sale of the farm, Bradford advises the producer to assess ongoing income needs throughout retirement.

"How they draw their income will determine the tax treatment," Bradford explains. He says recent changes to the Canadian Income Tax Act favour the incorporated farm owner, who has the option to accumulate wealth inside the company tax efficiently. Then, in retirement, the producer can draw out the income at tax-preferred rates.

Bradford points out that a producer's investment selection and tax treatment of income can be done independently. That means the producer can efficiently manage taxes and raise the standard of living in retirement.

"If farm succession is involved and financial resources are limited, tax treatment of retirement income can have a significant impact on the ongoing viability of the farm," Bradford states.

Preparing for retirement or succession can be a daunting task and understanding the ins and outs of investing and financial planning is a highly specialized skill. Bradford says it's crucial to have a team of advisers to help with this strategic planning process. He recommends bringing an accountant, lawyer and financial adviser to work collaboratively as an informal advisory board. The team challenges each other to find optimal solutions for the producer, customized to meet the needs of the family.

"Ultimately, it's about providing innovative solutions to enable their shared client to achieve their business, lifestyle and legacy goals," he says.

Len Davies, who operates Davies Legacy Planning Group in Chatham, Ont., agrees that finding the right person to work with on a retirement plan can take some time. Davies suggests producers conduct interviews, ask for references and follow-up on them. And, he points out, find the person specific to your needs – financial planners aren't necessarily retirement planners.

As a financial security and investment expert, he notes that many agriculture producers overlook outside investments including RSPs, considering their land or production quota as their retirement fund.

Yet if a producer who hasn't done any retirement planning intends to sell the farm at a reduced rate to a child, outside investments could be a saving grace. Regardless, he reiterates that careful planning is critical.

"Sit down and have someone come in and do some planning. Analyze what you will need to live on and what you need to have in today's dollars," he says. And don't forget to account for matters like moving to a new home.

Farm Credit Canada frequently offers financial management, succession and estate planning workshops through its AgriSuccess workshops. Go to www.fcc.ca and click on "Learning Centre" then on "AgriSuccess Training" for listings of upcoming training programs. Having a basic understanding of the principles is always helpful, even though you'll need to engage professional help.

The Canadian Association of Farm Advisors may be a good place to start looking to find a team to help design a business exit strategy or retirement plan. Membership of the non-profit professional organization includes accountants, lawyers, financial planners, bankers, insurance brokers, trust officers, agrologists, agriculture economists, home economists, educators, family therapists and producers. Their website, which includes a list of members nationwide, is at www.cafanet.com. ❖

Consider life insurance as an off-farm investment

BY HUGH MAYNARD

It's a trick getting them lined up, but in the end the numbers never lie. And one of the truths that the financial numbers point to, which doesn't get a lot of attention in the number-crunching process, is that off-farm investments can pay.

It seems counter-intuitive that farms, capital intensive and always scraping to put enough together for the next down payment, should be looking to place hard-earned cash somewhere else. It's not an easy pitch to make to producers, but chartered accountant Mario Dumas considers that there's value to be discovered. "It's a big job to convince farmers to off-farm invest," he says, "but we preach off-farm investments."

Proceeds from life insurance are not taxed, leaving more money to the estate.

Dumas, located southwest of Montreal in Ormstown, Que., advises a lot of capital-hungry farmers, either dairy farmers needing to buy more quota or cash croppers facing land at $5,000 per acre and up. He tries to demonstrate that with a few strategic adjustments, producers can profit from off-farm investments, especially life insurance.

"I sometimes feel like a life insurance salesman when talking with farmers," Dumas quips. He notes that life insurance is important not only for preventing financial catastrophe should the unthinkable happen, but also in terms of succession planning. It can be an advantageous strategy in taking care of non-farming children.

It's difficult enough trying to sell the farm to one child at a price that's both affordable to buy yet profitable enough for the farmer to retire on, without having to think about the other siblings in the family. Life insurance can take care of that worry by leaving the policy benefits to the remaining children. This can help avoid buyouts when one or all of them want a financial share of the family's farming legacy.

This is where the numbers come in. When producers counter that they need any available cash for on-farm investments, Dumas advises longer-term loans (lower payments) while putting the savings from monthly payments into life insurance and other personal investments such as RSPs. He crunches the numbers to show that cash flow is not affected, and equity is the same or better through compound interest.

It may be a better overall investment strategy, according to Dumas, because the proceeds from life insurance are not taxed, leaving more money to the estate and less pressure on the retiring farmer to set aside money for the other children. The proceeds from life insurance are liquid (as opposed to land or other farm assets) so it's easier to divide to accommodate any "fairness" desires.

And if the numbers are not convincing enough, Dumas also explains that life insurance can relieve liquidity concerns when the family is going through a difficult period from the loss of a key person in both the family and the farming operation. ❖

Pesticide Risk = Hazard x Exposure

BY PETER VAN DONGEN

According to Health Canada's Pest Management Regulatory Agency (PMRA), there are over 1,000 pesticides registered for agricultural use in this country. Now is the time of year that many of these products will be applied. And if you use pesticides as part of your production system, it begs the question: what risks do you face?

The Merriam-Webster Online Dictionary defines risk as "the possibility of loss or injury" or "someone or something that creates or suggests a hazard." In the case of pesticides, the risk of chemical injury is determined by a simple equation: Risk = Hazard x Exposure. Hazard refers to the degree to which a pesticide is harmful or poisonous. Exposure is the length of time a person is exposed to the substance and how it is absorbed into the body. Without the presence of both factors, there is no risk.

Your greatest opportunity to mitigate risk comes on the exposure side of the equation.

"You could have the most hazardous product in the world, but if the exposure is very small to none, then your risk is very small," explains Peter MacLeod, vice-president of CropLife Canada, the trade association representing the manufacturers, developers and distributors of pest control products. Conversely, if you use a pesticide that is only moderately toxic, but get it splashed all over your arm, your risk is going to be higher.

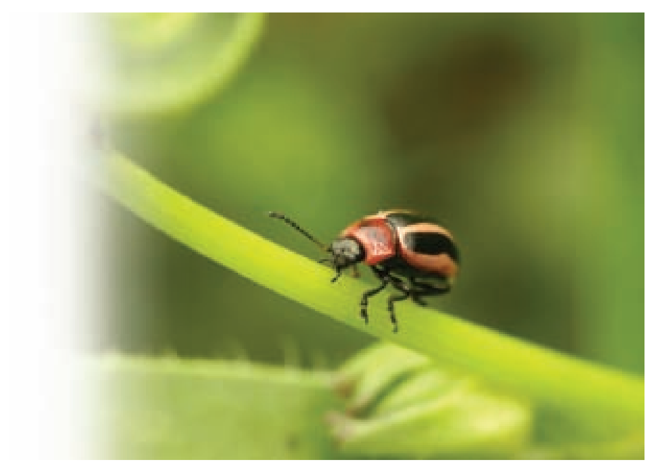
MacLeod notes all pesticides that pass through the PMRA registration process must meet the standard of "reasonable certainty of no harm." Within that standard, pesticides vary in their degree of hazard, from practically non-toxic to extremely toxic. The level of toxicity is measured by a pesticide's LD50 value. This is the dose of active ingredient found to kill 50 per cent of test rats in controlled experiments.

The LD50 is usually expressed as the number of milligrams of pure active ingredient per kilogram body weight of the test animals. The higher the LD50 value, the less toxic is the chemical. For example, glyphosate herbicides typically have a very low toxicity rating with an LD50 in excess of 5,000 mg/kg for laboratory rats. In contrast, the common insecticide diazonon has an LD50 of 66 mg/kg and is considered highly toxic.

So what can you do to limit your risk? It comes down to managing one or both sides of the equation. On the hazard side, you can choose to use pesticides with a lower hazard rating. This assumes, of course, that such an option is available for the pest you are dealing with.

Your greatest opportunity to mitigate risk comes on the exposure side of the equation. Most chemical accidents occur when producers are mixing or loading pesticides because they have the potential to come into contact with concentrated formulations. The only way to reduce this risk is to reduce exposure to the pesticide through the use of proper protective gear and by following the recommended safety procedures.

Bottom line: follow the label. "The safety of that product is based on using the product according to the label," MacLeod emphasizes. "That's the basic way that precautionary information gets transmitted to the user. Those statements are put there for very real reasons." ❖



Research investment sparks $1-billion advantage

BY OWEN ROBERTS

It's reasonable to raise questions about the return on investment for agricultural research. In Canada, that investment usually involves public money. When times are tough and dollars are flowing into researchers' labs instead of producers' pockets, there's potential for friction.

That's seldom the case. Agricultural research results can be adopted quickly in the field – new seed varieties, animal husbandry techniques, environmental practices, among them – so producers have long supported public investment in research. It's often said agriculture is the profession with the fastest track and straightest line from concept to application.

> Agricultural research results can be adopted quickly in the field – new seed varieties, animal husbandry techniques and environmental practices among them.

A decade ago, when the Ontario Ministry of Agriculture, Food and Rural Affairs engaged in an exercise to determine the farm community's priorities, the value of research was clearer than ever. Producers said when it came to public money, research was their top priority, even ahead of support programs.

At the time, the ministry wanted to enhance the unique and longstanding connection for research and services between it and the University of Guelph. That began in the late 1800s with the Ontario Agricultural College and was formalized in the 1930s. Over the years, this partnership became the very foundation of agricultural research in Ontario, and the envy of research communities everywhere.

Currently, the province dedicates $54 million annually to the university to maintain a research infrastructure – personnel, facilities and equipment. That support gives the university a foundation to tackle challenges faced by the agri-food sector, such as production, food, human and animal health and policy matters.

In 1996, the province asked the university to go one step further. It wanted the university – which is in the education business – to take over management of the province's three agricultural colleges in Alfred, Kemptville and Ridgetown. As well, the province was interested in handing over management of its vital food and animal health analysis laboratories to the university.

The whole initiative was designed to make the research enterprise even stronger, to expand the university's reach into rural communities through the agricultural colleges and to give food safety analysis unprecedented strength by bringing university researchers and provincial food analysts closer together.

In the years that followed, the university thought the new arrangement was working well. But being a research-intensive institution, it wanted some evidence. In fact, it needed it. With accountability being what it is these days, public investments require new levels of quantifiable returns.

The university commissioned Deloitte and Touche LLP, a reputable third-party, to look inside the partnership and determine its value to society.

In December, the firm came back with its verdict. The partnership has built an incredible agri-food cluster in Guelph comprising 60 agricultural companies, 24 research facilities and 6,000 jobs. The report says Ontario reaps a $1.1 billion benefit every year by investing in agricultural research at the university.

Most of that value accrues through new technologies such as Omega-3 eggs and DHA milk (DHA is a key omega-3 fatty acid). Still more results have come through the development of new plant varieties, particularly soybeans, which have revolutionized Ontario's cropping systems.

If timing is everything, this report gets the Pulitzer. The ministry is currently reviewing the 10-year performance of the enhanced partnership, and at press time, was about to announce its way forward. The numbers suggest it picked a winner. ❖

Farmland values soar in Western Canada

Canada's average farmland values remain on the rise, with Western Canadian provinces pushing up the national average to its highest increase over at least the last decade. The average value of Canadian farmland increased 7.7 per cent between July and December 2007.

"At 3.6 per cent, the first half of 2007 experienced a strong increase. Now, with the second half of 2007 recording a record 7.7 per cent, average farmland values in Canada have reached their highest percentage increase in the last 10 years," says Rémi Lemoine, FCC Senior Vice-President, Portfolio and Credit Risk.

The primary reasons for this upward trend, especially in the last half of 2007, include record-high prices for grain, very strong demand for vineyard and berry land in British Columbia and increased interest in farmland from investors and those living in urban centres.

While the average farmland value is significantly higher than it was during the first six months of 2007, Lemoine says the national average isn't reflective of land in all areas of the country.

"Canada's farmland values are reflective of our national agriculture trends. High land prices in Western Canada are being driven by factors including strong grain and oilseed sectors, while challenges in the hog and beef sectors in Central and Atlantic Canada are resulting in smaller increases, and in the case of New Brunswick and P.E.I., even decreases," Lemoine says.

FCC released its comprehensive Spring 2008 Farmland Values Report in April. This online report highlights the changes in agriculture land value twice yearly, and contains 10 years of trend information.

It is valuable to FCC customers who are considering selling or buying land. Lemoine says: "Farm Credit Canada's Farmland Values Report has helped farmers and others involved in Canadian agriculture make strategic business-related decisions for the past 20 years."

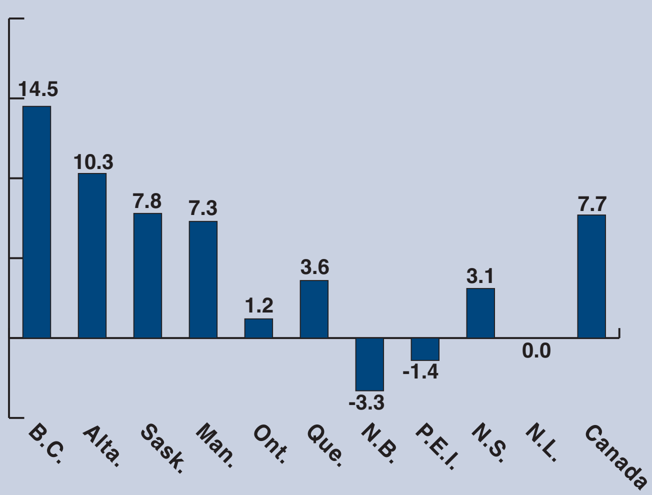
Seven out of 10 provinces experienced growth in their farmland values. This growth is consistent with an upward trend that began in 2002. New Brunswick and P.E.I. showed a decrease in average land values. The Farmland Values Report is available online at www.fcc.ca/en/Products/Property/property_e.asp.

FCC customers who are registered to use FCC Online Services can access other valuable information including loan details and farmland property for sale. As an FCC customer, you can register for Online Services at www.fcc-fac.ca/en/onlineservices/flv_online_services_e.asp

Provincial comparison of farmland values

Semi-annual % change in farmland values

July 1, 2007 to January 1, 2008



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