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July/August 2009

AgriSuccess JOURNAL

Opportunity amid economic turmoil

Making sense of the financial malaise

Finding success through innovation

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AgriSuccess JOURNAL

July/August 2009

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On the cover:
Frédéric Marcoux from Sainte-Marguerite, Que.

Cette publication est également offerte en français.

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

- Canadian Farm Writers' Federation award for periodicals; Bronze 2006, 2007, Gold 2008
- Canadian Agricultural Marketing Association (CAMA) Awards; Merit 2006, 2007

Letter from the editors

KEVIN HURSH AND ALLISON FINNAMORE

We're fortunate here in Canada. Our lending institutions are more tightly regulated and our economy remains stronger than in most other countries.

The worldwide economic downturn is worrisome, but we're weathering the storm.

In countries such as Ukraine and Brazil, credit availability is reportedly a huge problem. Here, the economic crisis has made lenders more cautious, but it hasn't been a major detriment to business.

In the United States, where the sub-prime mortgage fiasco precipitated the failure of major financial institutions, farm lenders are having some trouble accessing longer-term money for clients. Agricultural lending was not part of the original problem, but now it has to compete with sectors receiving financial bailouts.

While no one can predict the future, what are the likely scenarios in the months and years ahead? When will interest rates start to raise? What about inflation rates and the value of the Canadian dollar? What farm management decisions are prudent in this volatile environment? Will some opportunities emerge?

This edition addresses those macroeconomic questions from a producer's perspective.

One caution: magazines, including this one, have a lag time between when the articles are written and when the magazine is printed and distributed. With the financial situation rapidly evolving, some of our stories may not reflect the latest developments.

Let us know how we're doing and please pass along any ideas you have for future stories. You can email us at 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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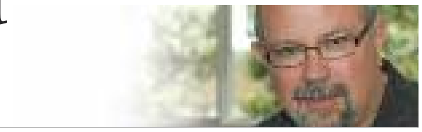
Owen, a native of Mitchell's Bay, Ont., teaches agricultural communications at the Ontario Agricultural College, University of Guelph and is director of research communications for the university. He is also a freelance journalist and broadcaster.

Should you choose a fixed or a variable interest rate?



BY LORNE McCLINTON

For capital-intensive businesses like agriculture, the cost of borrowing money is always a big deal. The Bank of Canada's trendsetting interest rate has never been lower and lending institutions have followed that lead.

While fixed-term interest rates are low, variable rates are even lower and the difference can be two percentage points or more.

Variable rate options can offer significant savings but they do expose your farm to extra risk and should be used with some caution. Just because interest rates are low today doesn't mean they will be a few years from now. History shows they can quickly jump higher.

Over the past 20 years, interest rates have averaged eight per cent. When the world comes out of the current recession, many economists are predicting a period of inflation and a return to higher interest rates. Lenders are willing to insure you against this possible spike by offering long-term fixed interest rate options, but like any insurance, it comes with a premium.

"Everybody here is a little bit afraid of what could happen a few years down the road," says Terry Betker of Meyers Norris Penny in Winnipeg. "Right across Canada, farmers are asking what they should do. There's no right answer for everyone – it all comes down to managing risk."

Betker suggests producers look at their current debt structure and see how much exposure they have to interest rate fluctuations. If a large portion of their debt carries a variable interest rate, they might consider converting some to a fixed rate.

Let's say John took out a 20-year, $250,000 mortgage and locked in his payments with a 10-year fixed interest rate of seven per cent. His semi-annual payments for the first 10 years would be $11,706.80.

Bob borrowed the same amount of money but chose the variable rate option. He currently pays a 4.5 per cent interest rate, so his semi-annual payments are much lower, just $9,544.34.

Thanks to his decision to have a variable interest rate, Bob pays $4,324.92 less than John this year.

However, if the variable interest rate jumps to the 20-year average (eight per cent) by late 2010, Bob will be paying one per cent more for his money than John. He will now pay $1,864 a year more in interest than John. Any savings he made in 2009 would completely vanish by 2012.

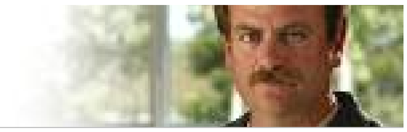
If just one of your major loans has a variable rate structure, it won't likely make a critical difference to your farm's profitability. Betker says it could quickly become a problem if all your loans have floating rates. Older producers today remember the early 1980s when mortgage rates spiked to credit card interest rate levels.

Ron Witherspoon, CEO of Interactive Management Group in Regina, Sask., strongly believes that relying on floating interest rates could eventually hurt your operation. He believes sooner or later, higher interest rates will return.

Witherspoon advises producers, especially young producers, to lock in a significant portion of their debt for 10 to 15 years sometime in 2009 or early 2010. He suggests having a portfolio of smaller loans and not just one big one. Some of the debt can then be locked in for different periods of time, reducing the chance that all loans would come up for renewal during a period of high interest.

Betker recommends producers also take a careful look at the terms of their existing long-term fixed rate loans. If there isn't a penalty for early payment, then now is a good time to refinance and save a couple of percentage points of interest. ❖

Interpreting your financial numbers



BY KEVIN HURSH

Is the debt on your farm too high or too low? How profitable are you? What changes should you consider?

There are all sorts of ways to analyze your farm's financial situation. Here are some of the common measurements and insight from Reg Shandro, a professional agrologist in Lacombe, Alta. Shandro has worked as a farm lender, business advisor and most recently as an independent consultant with scores of producers.

Net worth

"Net worth is an important measure of progress to date," Shandro notes. Every business would like to see its net worth climb from one year to the next.

The calculation is simply total fair market value of assets minus total liabilities. While the liabilities are firm numbers, asset values are often estimates and that can affect the accuracy of the net worth calculation.

Financial ratios

There are a dozen or more commonly calculated financial ratios and each provides a different piece of the overall financial picture. Monitoring your farm's financial ratios over time helps you see trends. Looking at trends can help indicate if past decisions have worked to increase your net worth or hindered your progress. It's also useful to compare the ratios against other farm operations in the same sector, but can be difficult to find a similar operation.

Shandro believes that farms in supply-managed industries can tolerate ratios that are a little higher or lower as the case may be since they have more stable income. The timing of calculations is also important. Make sure you calculate these ratios for the same time period each year.

Current ratio

The current ratio is a good measure of liquidity, the ability of the business to repay its obligations over the next year. Calculate it by dividing total current farm assets by total current farm liabilities.

Current assets include cash on hand, accounts receivable deferred cheques, inventory of grain and forages, market livestock and any other supplies such as fertilizer.

Current liabilities are the ones due in the next 12 months. This includes operating loans, advances, accounts payable and principle payments of long-term loans that are due in the next 12 months.

Shandro likes to see a current ratio greater than 1.5. The higher the ratio, the easier it is to manage cash flow. Example: if loan payments are due, a producer may be in a stronger position and not be forced to market grain to meet these demands.

If the ratio is below 1.5, there may be a reason for caution. If the current ratio is less than 1.0, there could be a problem brewing with repayment obligations. The producer will have to use current year production to satisfy prior obligations.

Producers can affect this ratio negatively by purchasing term assets out of their operating capital instead of using a term loan. The term of a loan should be closely matched to the life of an asset.

Debt/asset ratio

There are various ratios for measuring business solvency. The debt-to-asset ratio is considered a good indicator of financial risk. It's easy to calculate, being total farm liabilities divided by total farm assets.

Generally, if the ratio is less than 0.3 (30 per cent), debt load is not considered a problem. The caution zone among analysts varies from about 30 to 50 per cent. A debt-to-asset ratio of over 50 per cent generates warning lights. The higher the ratio, the higher the degree of financial risk.

This is where interpretation becomes important. Higher levels of debt may be all right if an operation is highly profitable and can service the debt, particularly if returns are quite stable and predictable. They may also be fine for an expanding operation that's being supported with off-farm income.

Ratios approaching zero are not necessarily desirable either. A balanced approach to debt should be taken because the reluctance to take on debt can stunt the growth of a business.

Return on equity

Other ratios can be used to access profitability. While you might think that your net farm income is all that matters, that number doesn't relate the income to the size of your investment. That's why return on assets or return on equity is calculated.

Return on equity can be defined as net farm income minus family withdrawals divided by total equity (net worth).

"The business world wants double digits," Shandro notes. "Agriculture often gets by with high single digits due to appreciating assets."

Shandro considers anything above seven per cent to be good. Four to seven per cent is the caution zone. Below four per cent return on equity is considered worrisome.

Your level of debt has a big influence on the calculation of return on equity. Low debt means high equity and this decreases the return on equity. For this reason, you may also want to do a calculation of your return on assets, which is net farm income (before income taxes + interest expense) minus family withdrawals divided by your asset value.

More information

Working through financial measurements and ratios can help you make better decisions for your operations.

To learn more about farm financial ratios, visit www.fcc.ca/learning to register for upcoming Statements and Ratios or Profitability and Budgeting Workshops. ❖

Financial ratios

	Recommended	Caution	Not recommended
Current ratio	> 1.5	1.00 – 1.5	< 1.0
Debt/asset	< 30 %	30 – 50 %	> 50 %
Return on equity	> 7 %	4 – 7 %	< 4 %

These are guidelines only. Analysts will have differing interpretations of the ratios.

Source: Reg Shandro, P.Ag.

Finding success through adaptation

BY RAE GROENEVELD

A producer's ability to adapt to the constantly changing agriculture climate is a key to survival. That's nothing new to this farmer from Chamberlain, Sask., who says successful producers have always been willing to change and try new things.

If we were farming today the way we did in 1988, we probably wouldn't be here.

"A lot of these older guys were progressive thinkers along the way and that has made the rest of us work to keep up to them," says 40-year-old Patrick Ackerman, who runs PDRA Ackerman Acres Ltd., a 7,000-acre, third-generation grain and pedigreed seed farm. He operates the company with his wife Donna, and his mother and father.

Patrick began working with his father in 1988 and has seen the farm plans change over time. They've gone from an initial idea of needing to have an extremely large land base to now specializing in higher value crop production.


The Ackerman family, Chamberlain, Sask.

"If we were farming today the way we did in 1988, we probably wouldn't be here."

Adoption of technology is a major part of their strategy. They were one of the first to adopt zero-till production in the 1990s and that changed the fortunes of the farm. Increased organic matter in the soil and a surface cover of crop residue helps conserve spring moisture, which maintains the crop through dry spells.

The latest experiment is variable rate fertilizer application to reduce input costs while optimizing production.

In 2003, Patrick helped start Ackerman Ag Services. A friend became a new investor in the consulting business, providing crop nutrition planning for local producers. It now includes a small seed-cleaning plant on the farm. The Ackermans also offer custom processing, mostly for crops like mustard.

"What we find is there's a real need for small niche processing. It's the small stuff the big guys don't want to touch."

The seed processing business and the farm are about as big as Ackerman would like them to get. But to keep moving forward, the Ackermans are fostering the relationships they've built through their seed processing business.

"Process more of what we've got and get it into some of these niche markets that we've found. Work with some of these end users and buyers, and grow some crops we know are going to go through our seed plant and add value that way."

Longer term, the goal is to keep adapting the farm so there is a viable business for the Ackerman children.

"We have a daughter and son – they are 11 and seven. They are a little young to figure out which direction they want to go, but we want to build a business that if they plan on coming back and want to make a life here, there's something here for them." ❖

Investing off the farm

BY ALLISON FINNAMORE

As a national wealth management company, T.E. Wealth provides financial advice and education. Tim Faunt and Earl Kirchner are senior consultants in the financial education and employer services section at T.E. Wealth.

Tim Faunt

Earl Kirchner

Agriculture producers need to find a careful balance between retirement investments and on-hand cash cushions for the farm to deal with income fluctuations and matters that arise. How should they accomplish this?

Faunt: We suggest that if means are available, producers should have money in a couple of different forms. They should have the RRSP money, the long-term pension money. They should have some money held outside RRSPs – some investments intended for medium to long-term things. Then, if they need to replace the roof, there's a pot of money to draw on. And of course, there's the short-term money that needs to be in place just for any major expenses that may come along, income fluctuations and day-to-day living.

Kirchner: One thing that has come out this year is the tax-free savings account. Each member of the family 18 years and over can put in $5,000 a year after tax that will grow tax-free for them. They are allowed to take the money out for any purpose at any time and get the contribution room back again. If a person puts in $5,000 and the next year takes out $3,000, they'd get that $3,000 contribution room back again. It's a way of doing some investing to offset some of the variation in farming income.

There are a lot of media reports about the downturn in the economy. How should investors react to this news?

Faunt: With the stock markets, people lose sight of their long-term goal. They often do the exact wrong thing at the exact wrong time. When prices drop by

half, they sell everything as opposed to buying more. Take a producer thinking about adding more land and they see that the price of land has fallen dramatically. They're going to be thinking that's a pretty good deal. The price might fall a little further but I'm getting a good price on it now and I expect it will appreciate over the next number of years. People have that sort of attitude with land. With stock markets, people have a very difficult time keeping the long view. Our approach is all about discipline. Just keep the long view and have a strategy in place and follow it.

With stock markets, people have a very difficult time keeping the long view.

Kirchner: If a person becomes too conservative with investments, the money will not last through retirement. If a person retires today and needs $48,000 a year to live on, in 25 years – with inflation – it needs to be $100,000 a year to have the same purchasing power. So it's not just that they have to look at preserving capital, but they also have to look at being able to offset inflation, too. Inflation has a huge impact on what your money is really worth.

Some people are hurting from last year's drop in mutual fund values. How do you determine the right mix of investments, either within or outside an RRSP?

Faunt: Diversify. The bottom line is, if producers don't diversify their investments, they're always going to be suffering through a downturn like the current one. There's always something coming along to sideswipe your portfolio. If you have different holdings, it's not such a big deal. But if it's the only part to your portfolio, you have a problem.

Kirchner: There are a fair number of people being scared off by the economic situation. What they really have to do is look long term. It's a very good time for producers to visit a financial advisor to do a reality check on how they should be investing. And instead of being overly optimistic, a more realistic standpoint would be to say, "We've been through a downturn," and make sure their investing reflects that. ❖

Opportunity
amid economic turmoil

BY MARK CARDWELL

Young Quebec dairy producer Frédéric Marcoux knows times are tough in the overall economy. But that hasn't stopped him from plowing ahead with plans to buy a 50 per cent stake in his family's farm and increase both its quota and the size of its milking herd from 40 to 50 cows.

"The economic situation hasn't changed my mind," Marcoux says from the 200-acre property in the farm-rich Beauce region, a half-hour drive south of Quebec City. "Revenues in the dairy sector are relatively stable and interest rates have never been lower. This is a good time to invest."

That may come as a surprise to the millions of people across Canada and around the world who have been adversely affected by the biggest financial and stock-market meltdown since the Great Depression. It also seems to run counter to the record declines registered in food spending in recent months both here at home and in the U.S., which is our biggest trading partner.

Frédéric Marcoux, Sainte-Marguerite, Que.

Many Canadian agriculture experts, however, share Marcoux's optimism. And they think the 2008-09 recession offers experienced and efficient producers an opportunity to retool and rethink both their offerings and operations. The highly competitive agriculture industry is worth $130 billion a year.*

The agriculture industry is worth $130 billion a year.

"Agriculture is always cyclical, so seeing prices rise and fall and peak and bottom out is nothing new for farmers, especially the ones who are involved in commodities like grain and livestock," says Jean-Philippe Gervais, an associate professor in agricultural and resource economics at North Carolina State University. Gervais was formerly a professor at Laval University in Quebec City, where he held the Canada research chair in agri-industry and international trade.

"Even in good times, they (producers) see prices fluctuate and people either going out or getting back into the business."

What is new, Gervais says, is the added challenge of navigating through the most volatile financial environment in the past 15 years. He believes that price fluctuations and wild swings in both the value of the Canadian dollar and interest rates make it essential for producers to possess good risk-management strategies that will help them survive the current recession – and be ready to capitalize when the economy improves.

"When things are down, all producers, regardless of the sectors they're in, need to ask themselves, 'Am I well positioned to profit from the next upward trend?' This is a good time for them to take stock and to make changes that will make them more productive and competitive, either through innovation or cutting costs or being more capital intensive, so they'll be ready when it comes."

Bill Brown agrees. A professor of agricultural economics at the University of Saskatchewan in Saskatoon for the past 31 years, he has conducted numerous studies that examine the average rates of return earned by various farm enterprises in the province – particularly those specializing in grain, hogs and beef. He has compared them to the performance of other investment vehicles, notably bonds and the Toronto Stock Exchange over the past 50 years.

In addition to finding slightly higher rates of return overall for agriculture, Brown says his studies suggest agriculture does relatively better when the stock market does poorly, and vice versa.

"They appear to be counter cyclical, but we don't know why," he says. "The bottom line is that food is always in demand. People still have to eat whether or not they've got a job. The trick for producers is to remain competitive and to hang in there until markets improve."

When that might happen, he adds, depends on a variety of factors and may vary by region and sector of activity.

"Here in the Prairies, we have trains taking most of our food away to foreign markets and trucks bringing in fresh produce from California," Brown says. "We're extremely vulnerable to currency fluctuations. Quebec, Ontario and the Maritimes have exports too – mostly maple syrup, hogs, apples and potatoes – but they have bigger populations that provide more markets and opportunities for producers. They also have more supply-managed sectors like dairy, eggs and poultry that aren't as vulnerable."

But the recession is taking a toll, according to a report issued in March by the George Morris Centre, the Guelph-based agricultural think tank. The report suggests food and non-alcoholic expenditures fell during the last quarter of 2008.

"Past performance showed that, with the exception of 1982, even in recession, food expenditures did not decline," reads the two-page document. "Retailers now report that consumers are showing increased price sensitivity and greater caution on total expenditures."

** Source: Agriculture and Agri-Food Canada 2009-03-30*

Not surprisingly, belt tightening by consumers is being felt most acutely by the makers and sellers of high-end products, such as organic foods.

"Organic food is seen as more expensive so, yes, we're hearing a lot of hard luck stories," says Laura Telford, executive director of the Canadian Organic Growers, an organization that supports the adoption of organic methods of production and counts some 3,000 food producers as members.

According to Telford, Canada's organic food industry has been enjoying annual double-digit growth for the past decade, including a 26 per cent jump in 2006. However, she says that streak will likely end this year judging by the anecdotal evidence she's been hearing about the dramatic fall in sales at places like Whole Foods. That company bills itself as the world's largest retailer of organic foods and carries some of the most expensive food items on the market, particularly meats and chocolates, at two big stores in the Toronto area.

"We are still a relatively new industry and we're still enjoying upward growth, although the rates have been unsustainable," Telford explains. "I just hope organic producers were smart and put aside some money to get them through this."

Not all sectors are lamenting consumers' current appetite for less expensive cuts of meat. After years of losing money, Olymel, the Quebec-owned conglomerate that slaughtered and processed over half the 7.8 million hogs processed last year in Quebec, finally turned a profit in the last quarter of 2008.

Much of that money was earned through painful cuts and streamlining in its slaughtering capacity rather than a rise in hog prices, which have been chronically depressed.

For his part, Marcoux says he's concerned about the effect of possible trade liberalization in Canada's dairy industry. However, he's confident the stable prices and demand that have long been hallmarks of the industry will keep his investment safe through the recession and into the foreseeable future. He plans to gradually increase his family's milk quota over the next several years. ❖

Take the FCC Farm Safety Quiz

Go ahead, challenge yourself. You'll come away better informed, and you might win a first aid kit, too. Take the FCC Farm Safety Quiz online and make your farm safer for everyone.

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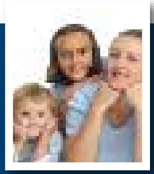

Making sense of the financial malaise

BY KEVIN HURSH

Worldwide macroeconomics is affecting credit availability and the interest rates on loans. Predicting the future with any certainty is impossible, but it's important to look at what's happening and why. From that, it's easier to anticipate how the future may unfold.

As Vice-President and Treasurer of FCC, Don Stevens follows world financial markets closely. He shared some of his insights with AgriSuccess Journal.

Bank of Canada rates

Earlier this year, the Bank of Canada overnight rate reached the unprecedented low level of 0.25 per cent. The recent rate declines are meant to lower overall interest rates, thereby stimulating the economy.

However, the interest rates Canadians are paying don't always follow the Bank of Canada rate exactly. Why not?

"It's just convention that banks follow the general trend of the Bank of Canada overnight rate," Stevens explains. "When the Bank of Canada drops the overnight rate, lenders typically respond by dropping their prime rates by the same amount. There's some moral suasion, but it isn't a regulation."

The Bank of Canada overnight rate is known as a trendsetter. It is the rate at which lenders can lend and borrow from one another. However, it's the cost of funds for fixed-rate loans that really matters and that hasn't always dropped as rapidly as the Bank of Canada overnight rate.

On top of that, because of the uncertainty in the marketplace during a recession, default rates tend to rise in most lending categories, and that has to be factored into the rates being charged by lenders.

Canadian banks are strong

The Canadian banking system has become the envy of other nations. Governed by much stricter regulations, Canadian banks are ranked as the strongest in the world. Meanwhile, banks in other countries have been losing money and many have failed or been propped up by governments.

The financial crisis has not left Canada unscathed though. Some foreign-owned institutions operating in Canada have tightened their practices or shut down altogether, reducing the availability of credit as a whole due to parent company losses.

Interest rates have never been more affordable.

The problems among American banking institutions have been well-publicized, but it's interesting to note that U.S. banks that specialize in agriculture are generally much healthier than those involved with the U.S. home mortgage market.

Credit has tightened

In fall 2008 when the American financial system started its serious meltdown, there were worries about credit availability for Canadian farm operations. Those early worries were overblown, but the market has been affected on this side of the border.

"Institutions are repricing risk," Stevens notes. The FCC Treasurer says even more than usual, lenders are attracted to borrowers with stable returns and good track records.

Farmland prices have been rising in most parts of Canada. There is some fear that difficulties in the overall economy could translate into softer farmland values in certain regions, which ultimately may affect equity and therefore borrowing capacity.

The good news is that interest rates have never been more affordable.

The currency issue

Even though the financial crisis started in the U.S., the American dollar is the primary denomination of world trade. In unstable times, there's a rush to buy U.S. treasury bills and bonds.

The Canadian dollar, on the other hand, is considered by some analysts to be a petro-currency. Low oil prices mean a dropping value for the Canadian dollar.

A low Canadian dollar relative to the American greenback is good for Canadian exports, but analysts wonder how long that situation will last.

The Canadian economy is stronger with a much smaller government deficit. Logically, the Canadian dollar should appreciate, particularly if oil prices rise. No one knows for sure when this might happen, but observers such as Stevens say producers should be aware of the impact of a higher Canadian dollar on their financial position.

"Hedge your bets as much as possible," he urges. "Hedging currency can be viewed the same way as an insurance cost."

Higher interest rates ahead?

Central banks everywhere want to avoid runaway inflation and high interest rates, but there's a fear the pendulum could eventually swing in that direction given all the stimuli injected into the economy.

Currently, interest rates are the lowest we've ever seen and logic would suggest that rates can't stay at the bottom forever.

The future is murky

"Trying to call the bottom of any market is a difficult game," Stevens says. "What we do know is that volatility and risk have gone up."

While Canada is in much better financial shape than many other nations, factors beyond our borders will generate threats as well as opportunities. ❖

What's the impact on Canadian agriculture?

See what producers said in a recent FCC Vision survey about today's economic climate. Visit www.fccvision.ca.

Managing risk in an uncertain economic environment

BY HUGH MAYNARD

For producers, the economic upheaval of the last year is not a new challenge. Agriculture has always faced significant price swings in short periods of time and uncertain markets due to everything from drought to subsidies.

However, in the current economic climate, mitigating risk might seem an especially worthy goal as compared to maximizing profit. Farmers should be used to this kind of strategy given past history, but any moves need to be fully analyzed.

Understand the levels of uncertainty that could affect the different aspects of your farming enterprise.

Pre-buying fertilizer has typically been a good strategy. In the summer and early fall of 2008, some producers purchased expensive fertilizer for 2009 in an attempt to mitigate the risk of prices going even higher or fertilizer not being available at all. Unfortunately, most didn't simultaneously lock in any of the high grain prices that were available for 2009 production.

Fertilizer prices declined and the importance of locking up both sides of the equation is easy to see now. Not many recognized it at the time.

There will always be factors that cannot be accounted for no matter how much planning goes on. The weather comes to mind as No. 1 in this category. Therefore, managing what you can becomes even more important.

The first step in this strategy is to understand the levels of uncertainty that could affect the different aspects of your farming enterprise.

You don't need the latest book from a risk management guru. All it takes is a simple exercise.

Scratch out three columns on a sheet of paper with headings such as "for sure," "maybe," and "wild card." Then start filling in the columns with how you view the level of risk for the different components of your farm: land prices, input costs, interest rates, commodity prices, transportation and so on.

Then make notations next to each component about what you know – land prices are rising, for example – or what you've done to manage that risk. At the end of this exercise, anywhere there is a blank space means you need to learn more about how to effectively manage that risk because you don't have any information about it, or you haven't done anything with the information you do have.

Using a spreadsheet is a good way to carry out this exercise because you can expand the number of columns. Use a new worksheet every time you do the exercise to give you a historical perspective.

Even if it's scribbled on the back of an envelope while waiting for the grain cart to unload the combine, it's the most important step in managing any risk. You have to understand the level of risk you're going to be dealing with.

Then you can read a book from a risk management guru. ❖

Safety is first at Saanichton Farm

BY PETER VAN DONGEN

Bryce Rashleigh leaves little doubt about the top priority on his farm. "I have a dozen points that we go by here," says the third-generation farmer, "but 'safety first' is always first."

Rashleigh operates Saanichton Farm (www.saanichtonfarm.com) on Vancouver Island. After starting out in dairy, he now focuses on hay production, custom work and agricultural mechanics. Each year, Rashleigh and his crew work about 700 acres across the Saanich Peninsula and produce upwards of 50,000 square bales.

Putting up that type of production takes an army of workers. Last year, Rashleigh used a total of 33 full-time and part-time workers ranging from high school students to retired dairymen. Like many growers, he is faced with a shrinking pool of experienced farm labour; some of his newest workers have little or no farm experience.

In response, Rashleigh has introduced a number of innovative programs that support his safety-first philosophy.

As a prime example, last summer Rashleigh launched a "tractor school" to ensure his newest operators were safe and confident when operating machinery. Starting with resource materials from the Farm and Ranch Safety and Health Association, Rashleigh added his own ideas to create a two-day program that combined classroom study with practical, hands-on training. Topics ranged from tractor rollovers to implement hitching to basic tractor maintenance.

"It had always been a dream of mine," he explains. "I paid for my kids to go to driving school, so why not have a tractor safety school?"

Most encouraging was how quickly the new recruits latched on to the idea of buckling up.

"My goal this year is to try and get everyone consistently wearing a seatbelt," Rashleigh says.

While most producers are aware of the importance of equipping tractors with Roll-Over Protection Structures, "ROPS are pretty much useless without a seatbelt because the whole goal is to hold you between the pipes," he asserts.

Rashleigh has also developed road signs that travel with his crew from job to job to help manage traffic on busy public roads. This year, he may go a step further and send one of his workers to professional flagging school.

"I've spent about eight or nine hundred dollars now on signs and flagging," he explains. "It's not cheap. But at the end of the day, we're trying to keep everyone alive."

As part of his overall farm safety plan, Rashleigh talks to his crew about safety issues on a regular basis – especially during harvest season when fatigue is a factor. He documents these discussions and has employees sign off on what was talked about. Not only is this good risk management, it also helps to reinforce his safety-first message.

Ultimately, that message is driven by a simple truth: no one wakes up in the morning planning to have an accident.

"You're not expecting it," Rashleigh concludes, "so every one of us has to work at it." ❖

Recession? Don't tell the cellulosic ethanol crowd

BY OWEN ROBERTS

If farming is a next-year industry, then maybe cellulosic ethanol could be called a next-year resource. The concept has percolated, then subsided, then grabbed headlines, then faded again, all in a relatively short period. Producers who hoped to supply manufacturers with feedstock are among the most deflated by its progress and then apparent retreat.

But in truth, it's never really wavered. Its champions, particularly Ottawa-based Iogen Corporation, have smiled during the good times including when then-U.S. president George W. Bush enthusiastically declared switchgrass the fuel source of the future, and when governments set ambitious ethanol-blend targets for manufacturers.

Commercializing unproven technology such as cellulosic ethanol production depends on more than the economy.

However, cellulosic ethanol developers have known bad times, too. They – like the rest of us – watched the economy tank and drag down oil prices, making gasoline somewhat affordable again and quelling the public's zeal for sustainable, alternative fuels.

Despite the economy, at least one cellulosic ethanol developer says it hasn't flinched. Iogen, which has operated the world's first demonstration-scale cellulosic ethanol facility in Ottawa since 2004, still "plans to build a commercial scale cellulosic ethanol facility in Saskatchewan and is actively working on

the design as well as a funding application with Sustainable Development Technology Canada," the company says.

In fact, Iogen claims the economy has not impacted its timeline for the facility. Commercializing unproven technology such as cellulosic ethanol production depends on more than the economy. Steps include successfully operating a demonstration-scale plant, identifying a commercial plant site,

inking contracts for feedstocks, securing land purchase options, negotiating government risk sharing and finally, finding project financing.

At the right price, it doesn't appear there are problems getting someone to buy ethanol. At least, not the conventional kind. GreenField Ethanol Inc., Canada's largest ethanol company, produces 450 million litres of fuel ethanol annually. Now, it's entered the cellulosic ethanol stakes too, introducing a Centre of Excellence in Engineering, Technology, and Research and Development in Chatham, Ont., where it operates a massive ethanol plant.

GreenField is also working with Enerkem Inc. of Quebec. Enerkem started the year with a bang, announcing its first commercial-scale plant in Westbury, Que., was entering the start-up phase. It won't do much for agricultural producers, though – the plant will get its biomass from treated wood from used electricity poles.

Likewise, Lignol Energy Corporation of Vancouver, which is working on a cellulosic ethanol pilot plant in Burnaby, was planning to start a production run back in April. It's produced ethanol and other bio-chemicals from hardwood and softwood species, again, of limited appeal to many farmers in areas with few trees.

For now, it appears that cellulosic ethanol remains mostly a next-year resource. But next year is getting closer all the time. ❖

Photos courtesy of Iogen Corporation

The Rosemary Davis Award: honouring women in agriculture


Rosemary Davis

The women who are active leaders in Canadian agriculture are as diverse as the industry itself. They are producers, agribusiness operators, veterinarians, teachers, volunteers, agrologists, researchers… and the list goes on.

Although their fields of activity may vary and they may live in different parts of the country, they are linked by one common theme: their passion for agriculture. They give of themselves for the betterment of their communities and the industry.

Each year, Farm Credit Canada honours Canadian women for their leadership and commitment to agriculture through the Rosemary Davis Award. Five winners are chosen, each representing an FCC business region in Canada.

The 2009 winners were announced in April. They are:

- Darlene Sanford – producer, industry and community leader – Wellington, Prince Edward Island
- Denyse Gagnon – producer, mentor, volunteer – Métabetchouan-Lac-à-la-Croix, Quebec
- Lorna Wilson – volunteer, educator, mentor – Georgetown, Ontario
- Patricia Smith – producer, businesswoman, volunteer – Nokomis, Saskatchewan
- Wendy Holm – agrologist, author, journalist – Bowen Island, British Columbia

This is the third year for the award, created to honour Rosemary Davis, FCC's first female board chair. Rosemary has been a successful agribusiness owner and operator in Ontario for many years.

"Like Rosemary Davis, many women are role models and mentors," says Kellie Garrett, FCC Senior Vice-President, Strategy, Knowledge and Reputation. "Whether they are visible in the public eye or work quietly behind the scenes, they are contributing to the long-term success of the industry. They are living proof that agriculture offers successful careers and fulfilling opportunities."

Many women deserve the recognition

Each November, FCC issues a call for nominations to every province and territory. To be eligible for the Rosemary Davis Award, nominees must be at least 21 years of age and actively involved in agriculture.

"The eligibility criteria are straightforward," says Garrett. "We want as many deserving women as possible to be nominated. Part of the challenge is having women see themselves as deserving this kind of recognition. That's why people can nominate a friend or colleague and we also encourage self-nomination."

Candidates are judged on how they demonstrate leadership, give back to their community and Canadian agriculture and display their passion for agriculture and their vision for the future of the industry.

FCC wants to hear from you

Do you know someone who embodies the spirit and passion of the Rosemary Davis Award? Or are these qualities you possess? If so, FCC wants to hear from you. Online nominations for the 2010 award will open in November. Mark your calendars!

To find out more about the Rosemary Davis Award, including nomination details and biographies of previous winners, visit www.FCCRosemaryDavisAward.ca. If you have any questions, please email prixrosemaryaward@fcc-fac.ca or call 1-888-332-3301. ❖

Change the medium, keep the knowledge

50
years/ans
1959-2009

How do you stay connected? With the amount of industry information out there, it can be overwhelming to try to keep up. You might even long for the days when we got the latest agriculture knowledge through conversations, not our BlackBerrys.

This year, BetterFarming.com looked at one way farmers stayed plugged in over 40 years ago. They gathered in one-room schools, church basements and kitchens to tune into CBC's Canadian Farm Radio Forums. Producers would listen, then discuss farm topics including tractor safety, co-operatives and how to produce grade-A hogs.

Today, with the Internet, smartphones, podcasts, webinars, Facebook and Twitter, technology is evolving with the agriculture industry. Canadian agriculture supplies more than just our food and drink – it contributes to our health care, renewable energy and a clean environment. Safflower oil is being used to produce insulin, pigs contribute to many medications and soybean crops are used to make biodiesel.

Many producers and agribusiness operators now plan for the future by looking beyond their local or regional landscape to track global shifts and industry trends.

At a recent meeting, an FCC Business Development Manager said it well: "Dairy producers are asking more than how they're doing in terms of litres of milk per cow. They want to know the latest on the WTO."

So how do you keep up with changing technology and agriculture knowledge? How do you make sense of it all?

With the FCC Management Resource Centre online, FCC customers can learn industry trends, what to watch for and how your operation compares to provincial and national standards. With AgriSuccess Express, a weekly e-newsletter, you'll read about national topics that impact your operation, including commodity markets and marketing strategies.

For an in-depth look, Knowledge Insider online covers topics such as consumer trends, sustainable energy, transportation and globalization.

You can also visit the Canadian Farm Business Management Council's www.agriwebinar.com and dial into a live webinar or download to your iPod or PDA to take on the road. These webinars cover topics like emissions trading and how to expand your farm business.

To sign up for AgriSuccess Express or get a copy of Knowledge Insider, visit www.fcc.ca/learning. ❖

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