MAY / JUNE 2012

real-life
farm management
stories

AgriSuccess

Cash crops and contract hogs: Ontario's Joel Dykstra adds innovation to the mix

FEATURES

COLUMNS

MAY / JUNE 2012

On the cover:
Joel Dykstra uses a novel approach to custom feeding at his successful pig nursery and finishing operation near Listowel, Ont.

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Cette publication est également offerte en français. Consultez www.fac.ca/agrisucces.

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

- Canadian Farm Writers' Federation award for periodicals; Gold 2008; Silver 2010, 2011; Bronze 2006, 2007, 2009
- Canadian Agricultural Marketing Association (CAMA) Awards; Excellence 2009, 2010; Merit 2006, 2007, 2011

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from the editor

There's a big change in this edition of AgriSuccess, but you may not notice right away.

The magazine looks the same. Same photographic appeal and layout. No new writers or columnists. It's the same number of pages and, as always, we try to feature many sectors of agriculture in many different regions of the country.

The change is in how we approach the content.

Over the years, we've always explored a specific theme in each edition. Recent examples include: investing on and off the farm, farming with family, small and successful, wireless technology, producing what the market wants. The feature stories and many of the recurring columns would explore the chosen topic.

We'd start with the theme and then figure out what stories to investigate.

Starting with this edition, there is no theme. We hope you continue to find the feature stories interesting and useful, but there's nothing that really connects the Agritechnica trade show in Germany with lean manufacturing processes or the change in wheat and barley marketing in Western Canada.

The only commonality is that they're all interesting stories that fit the mandate of a farm management magazine.

Every story idea is now fair game for every edition.

There are some advantages with a theme-based approach, but the absence of a theme provides more freedom to cover a wide range of topics in each edition. It's also easier to respond to the current events happening in our world and provide you with more timely information.

There are many excellent farm publications. You probably don't have time to read everything that arrives in your mail or your email. I know I don't. We realize we're competing for your reading time and we need to deliver content that grabs your attention.

Perhaps going theme-less will help with that.

Let us know what you think. And don't hesitate to pass along story ideas. Just email kevin@hursh.ca.

AgriSuccess is an FCC magazine dedicated to helping producers advance their management practices by providing practical information, real-life examples and innovative ideas.

Sustainability
gains market importance

Sustainability. It's a term that's overused and underappreciated. In fact, some cynics might call it a platitude, a little like motherhood and apple pie. After all, who isn't in favour of making sure the way we meet our needs doesn't compromise the ability of future generations to meet theirs? And how do you measure it, anyway?

Increasingly, various sustainability parameters are not only being measured, but those measurements are needed to ensure sales.

In February 2010, the United States Environmental Protection Agency introduced guidelines under its Renewable Fuel Standards that cut Canadian canola oil out of the American biodiesel market. Canola oil didn't meet the new sustainability requirements.

Then that December, the EPA published a regulation providing for an aggregate land use methodology for foreign feedstock compliance.

The federal government and the Canola Council of Canada went to work to file a petition with the EPA. Based mainly on land use practices, the petition was able to satisfy EPA requirements. On Sept. 29, 2011, the EPA issued a decision that reopened this important market for the Canadian canola industry.

A lot of work is also underway to keep the European market open. Under the European Union's Renewable Energy Directive, feedstock used to produce biodiesel must meet minimum sustainability criteria and be certified as sustainable. In fact, the entire supply chain must be certified.

Some canola growers in Western Canada are already completing the necessary documentation so that companies supplying the EU market with canola oil for biodiesel are able to comply. The growers need to be "audit ready," although only a small random sample will actually be audited.

What does it take to comply? Land used to produce biofuel feedstock must not have been cleared after Jan. 1, 2008. There's also a long checklist of required information on previous crops, fertilizer and pesticide use and even payroll records for employees.

Farm organizations are taking the sustainability push seriously. In January 2011, Pulse Canada, the Canadian Canola Growers Association, Ducks Unlimited Canada, the Canadian Wheat Board, the Flax Council of Canada and General Mills initiated a project to measure sustainable agriculture metrics for the major Western Canadian crops.

The results were positive. Over the two decades from 1986 to 2006, each crop studied improved in all sustainability indicators – land use, soil loss, energy use and climate impact efficiencies. This was driven by a combination of yield improvements, reduced tillage, improved crop rotations and improved nutrient management.

The project and its 120-page final report (www.pulsecanada.com/measurewhatmatters) are considered a first step towards responding to customer requests for information on environmental performance using science and evidence-based measurements.

As the report itself states, "Not only is sustainable production the right thing to do, but it is also becoming a significant point of comparative advantage."

BY **KEVIN HURSH** / *Kevin is a consulting agrologist and journalist based in Saskatoon, Sask. He also operates a grain farm near Cabri, Sask., growing a wide array of crops.*

Margin management tools

Many farmers have enjoyed some good years recently. While prices for most commodities are expected to remain above average in 2012, production costs will likely remain high too. The only way to ensure long-term profitability is by managing gross profit margins.

"Most people's financial management software is designed to meet their accounting needs, but it's sometimes inadequate for providing the small bits of information you need to achieve profitability," says Mike Bossy of Bossy, Nagy and Geoffrey, a chartered accounting firm with offices in Tillsonburg, Woodstock and Delhi, Ont. "If your software is only giving you a global overview of your whole operation, you won't have the information you need to really know where your profits are actually coming from."

Bossy says combining field management software like Farm Credit Canada's Field Manager PRO with an accounting program like AgExpert Analyst gives even more in-depth information. It can record and track every operation in every field and assign a financial value to it. Later on, you can run a financial diagnosis on it to see where you might be making or losing money.

For example, Bossy says you might be losing money on your corn, but making enough profit on your soybeans to cover the loss. If your farm management software doesn't allow you to drill down and look at each individual crop separately, you only know you are making an overall profit.

You have to be able to record the number of tonnes you grow in individual fields, multiply them by the selling price and then calculate and subtract the total cost that went into production. This will allow you to determine how much money you made or lost on every crop and every field in your operation. Comparing several years of data will quickly show if you have any problem fields.

"It's a great tool to know what you did last year and see what impact it had on your operation," Bossy says. "However, it also gives you the information you need to plan for the future. It's worthwhile to take a course on how to use your financial information to make management decisions and take a more future-oriented approach to farming."

Margin fundamentals

No one worries too much about their profit margins during the good years, says John Molenhuis, business analysis and cost of production lead for Ontario Ministry of Agriculture, Food and Rural Affairs in Brighton, Ont. It's not too hard to have had good gross margins when corn prices were above seven dollars a bushel. But you need to have a sharper pencil when they are in the five-dollar range.

"The first place to start when you are trying to manage your margins is to determine what your actual cost of production is for your farm operation," Molenhuis says. Most grain operators, for example, have a pretty good handle on their variable costs – direct inputs like fertilizers and pesticides that change every year. However, they are a little fuzzier when it comes time to include their long-term fixed costs, like land and living expenses.

Once you know what your cost of production is to grow a bushel of corn, it's easy to calculate how many you have to sell at a given price to make a profit. If the figure you come up with is realistic, all's well and good. If not, you'll have to see where you can either cut costs or increase profits.

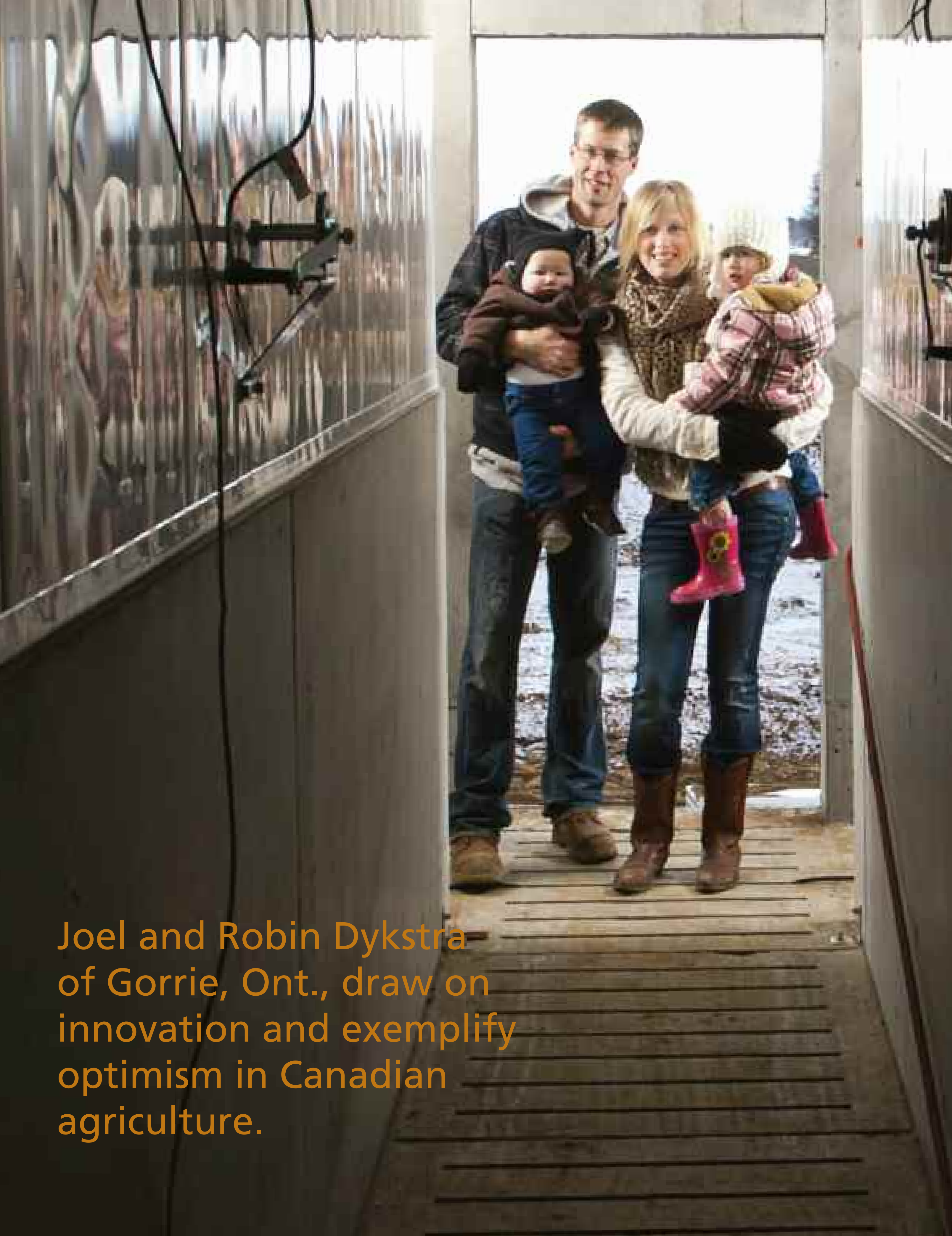
Use enterprise accounting

Which farm operations make you money, and which ones don't? One way to figure this out is to use your financial management software to divide your farm into its component enterprises, Mike Bossy says. Afterwards, charge each component the going custom rate for services. This will quickly tell you which operations you should consider hiring out.

A dairy farm, for example, could contain five different enterprises: milking cows, growing crops, breeding, heifer replacement and custom work. So if you're trying to decide whether to replace your combine or have the work custom done, just have the custom farming enterprise charge the cropping one the going custom harvesting rate. If the going custom rate is a lot less than the total cost you pay to buy and operate your own combine, you might want to consider hiring it out.

"Some farmers split out a land-owning enterprise too," John Molenhuis says. "The land-owning enterprise charges the cropping on a cash-rent rate, based on your desired rate of return of the value on the land. That way, every individual crop they grow has to generate enough revenue to pay its own rate. Things like machinery and land are long-term investments, so you want to be making sure that everything is paying for itself."

BY **LORNE McCLINTON** / *Lorne has worked in the communications field for the last 20 years as a journalist, photographer, scriptwriter and corporate writer. He divides his time between Quebec and his grain farm in Saskatchewan.*



Joel and Robin Dykstra of Gorrie, Ont., draw on innovation and exemplify optimism in Canadian agriculture.

Custom-feed contracts
strengthen JRD Farms

The optimism of Canadian farmers that was discovered in the recent FCC survey on producer confidence is epitomized by Gorrie, Ont., cash crop and contract hog farmers Joel and Robin Dykstra. Joel, a 30-year-old graduate of the Ontario Agricultural College, started JRD Farms when pork prices were struggling and cash crops weren't much better. But he stuck with it, determined to chart his own course and establish his own operation.

Now, nearly 10 years later, they're erecting another new barn for their hogs, expanding their operation to include 4,000 nursery pigs and 4,000 finishing pigs, and they're looking at an increasingly bright future.

Certainly the turnabout in hog prices and cash crop prices in recent years helped the Dykstras with profitability. But given their determination, odds are they would have succeeded anyway.

Joel and Robin have taken deliberate measures to help them get an edge and keep it. The first was their decision to get into contract pigs. Even before farmland prices started skyrocketing, Joel knew he would need a way to generate cash if he was going to add more acres to the operation. That led him to pigs. "They generate a more steady cash flow, which gave me a way to buy land."

Another approach was to use debt wisely. "I'm not afraid to take on debt," he says, "but I know it has to be paid down as soon as possible." And in his case, assuming debt for capital expenditures also meant he was building up equity in his operation – most recently by doubling the capacity in his finishing barn.

With some pride, Joel notes that his dad Ray, who owns the nearby family cash crop operation called Windy Lane Farms, has always been a supporter of JRD Farms. At an

early age, Ray explained farm finance to Joel and gave him an appreciation of what it takes to balance the books.

Joel's also proud that his dad has never been his banker. Ray was there for security when Joel and Robin took out their first mortgage, and the two farms work together during the cropping season, sharing some equipment. But Joel is carving out his niche the same way Ray did when he started Windy Lane. "I wanted my own operation, something that stood on its own two feet," Joel says. "Our farm is our own entity."

> The distinction of custom feeding with a liquid diet and standing out from the crowd is worth it.

Similarly, Joel's management approach stands out from the majority of hog farms, due to his commitment to liquid feeding. Initially, he entered into a liquid feeding program because his first contract client wanted what Joel calls "the newest and the best." Only a small percentage of pigs in Ontario are fed liquid diets, making its practitioners a rare breed. But they're also efficient – Joel estimates he saves about 10 per cent on feed costs by mixing dry feed with water or whey. During lean times, he says this can be the difference between profit and loss.

It's more management intensive, but to him, the distinction of custom feeding with a liquid diet and standing out from the crowd is worth it. "It's more work and more things can go wrong, but it's a little more unique, and I've always been drawn to that," he says.

He's also drawn to innovation. In fact, last year the Liquid Swine Feeders Association recognized him for creating a trough that minimizes feed waste, and for a cost-effective liner to store co-products. He joined the association to try to improve production where he can by gleaning tips from other professionals he meets at seminars the association hosts.

Joel and Robin feel blessed they are successful in production agriculture. Their future goal is to remain a land-based hog farm, with adequate acreage to use its own nutrients and grow its own feed. They're fortunate that they won't be limited by urban pressure. Despite farming in ever-sprawling Ontario, they're still "out in the country," 10 minutes west of Listowel in the north end of agriculturally intensive Huron County.

As well, they're hoping to increase the cash crop side of the operation, which – coming full circle – means buying more land.

BY **OWEN ROBERTS** / *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.*

Business advice from the Lentil Processing King

Once an entrepreneur with a business plan, Murad Al-Katib is now the largest lentil processor in the world. And he has advice for you.

Your company has seen tremendous growth over a relatively short period of time. What advice do you have for producers? Do they need an aggressive growth strategy to be successful?

One of the things we tell our growers is that they don't necessarily need to be growth oriented. Although many of the cutting-edge producers are growing, we do tell them to be market oriented. Advice we give to our farmers is, don't grow something on your farm just because you can grow it. Grow it because there's a customer somewhere in the world who wants to buy it, and grow it because customers will buy it at a price that will make money.

Where do you draw the line between being innovative versus swinging for the home run?

A successful, innovative and growth-oriented grower is focused on costs and cash flow. They have a plan and they stick to it. I encourage innovation within cropping groups, moving in some sort of strategy. I always say that if you're chasing the flavour of the month, you're likely too late. If you're following and trying to hit the home run because your neighbour was successful in a certain crop, chances are you missed it. So, look for the next innovation.

If you're a successful lentil grower, if you're a successful pea grower, move your acres from within your legume rotation. Don't push the rotation. We saw that a lot in the last five years with lentil growers. In 2011, we saw high wheat prices and high canola prices giving growers the opportunity to maybe correct their rotation and bring lentils back into that three or four-year cycle. I think that gives you a sustainable agronomic model that will deliver better cash flow over the long term.

Do we need to do more work on our cost of production and understand what is actually making us money?

Definitely. As I said, you need to grow it because there's a customer willing to pay you a price from which you'll make money. But if you don't know your cost base in the first place, how can you know the profitability? We encourage growers to know their costs. We encourage them to have a cash flow plan, meaning tools like targeted price contracts. There are often growers who sell at the bottom of the price cycle because they waited too long. Have a target. Know your costs. Know your cash flow and market to your cash flow so you can get a good, strong average return. I think that's good fundamental business.

I'm not a speculator on commodities. I sell lentils, peas, chickpeas, beans and pasta. All these things have a target margin; we know our costs and when we make that, we sell and move onto the next sale. We're not in the speculative commodity game. I don't think farmers should be either.

“We’re not in the speculative commodity game. I don’t think farmers should be either.”

On a typical farm, the numbers for cash flow and input costs would have been unimaginable a decade ago. How do you think producers are coping with being much bigger business entities than they used to be?

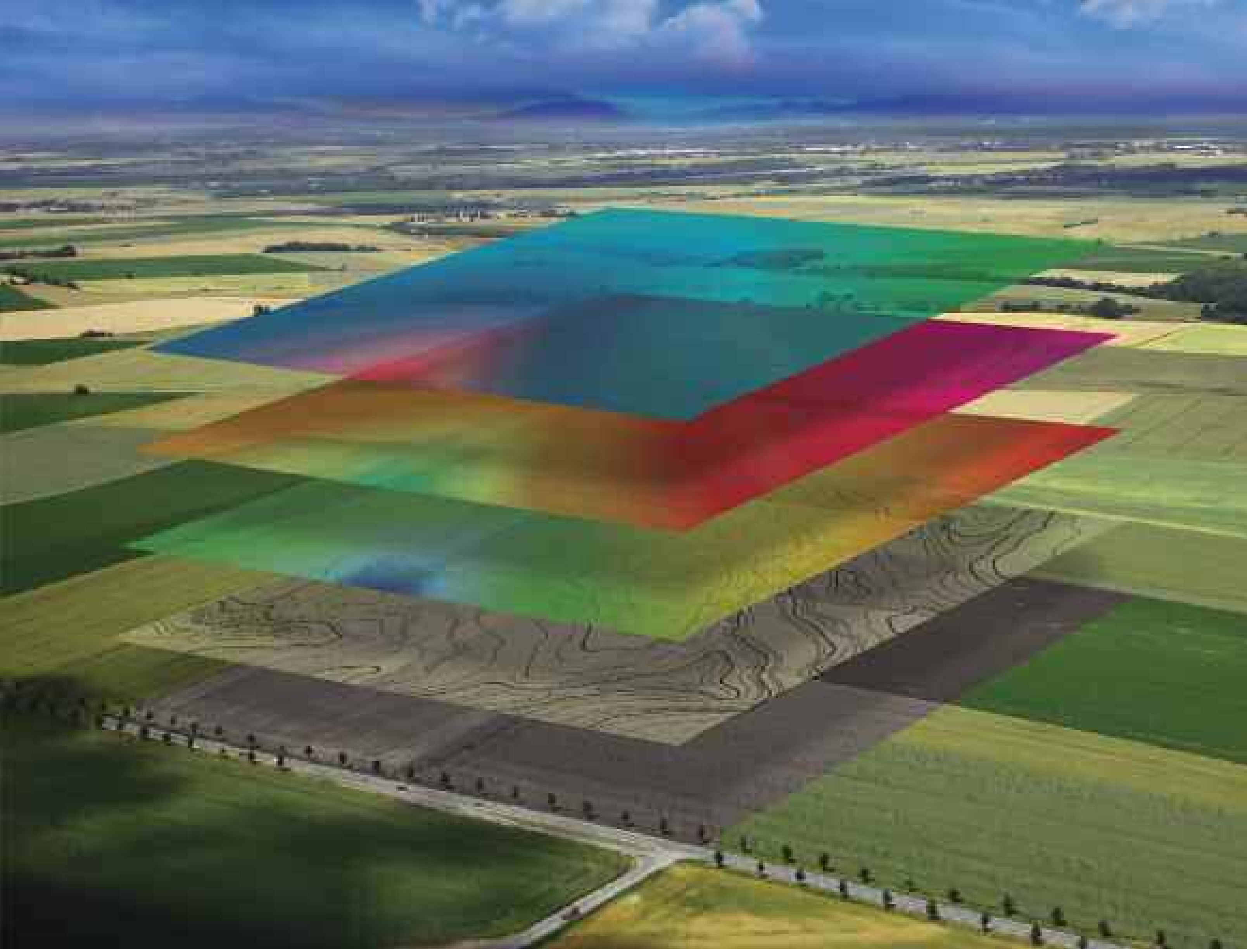
It’s the same for them as it is for me running a business. I remember when I walked into FCC as a young entrepreneur with a business plan in my hand; with a vision of setting up a company that was going to become a world-dominant player in lentils. They believed in the plan and they financed the first plant I built in Regina. That’s now one of 29 plants in the world.

The reason for that was that I knew my business plan. I wrote it. I knew my cost structures. I did the financial projections. I could talk about every number in the plan so they had confidence in management. They had confidence in our ability to manage the risks, and that’s the same type of advice we give to growers. Know your business plan; get yourself organized. If you don’t have the expertise yourself, surround yourself with advisors who can help you with that, but don’t rely only on the advisor to answer all the questions. Learn from your advisors and be in a position to know your own business.

MURAD AL-KATIB

President and CEO of Saskcan Pulse Trading as well as Alliance Grain Traders. Alliance has grown to be the largest lentil provider in the world.

Watch interviews with Murad Al-Katib at **www.fcc.ca/agrisuccess052012**



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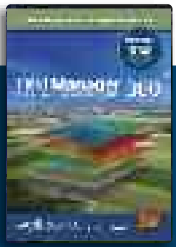

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From Agritechnica to the world

Agritechnica, the world's largest farm machinery show held last November in Hannover, Germany, is producing ripples that will have an impact on Canadian agriculture.

Among the 2,700 Agritechnica exhibitors from countries around the world, about 50 were from Canada. This was the largest Canadian contingent ever and they did their best to be noticed. Still, the Canadian footprint was small in the overall scope of this giant trade show.

No one knows exactly how many Canadian producers made the trek across the Atlantic; perhaps 100, maybe 200. In total, an amazing 415,000 people passed through the turnstiles during the five-day event.

By comparison, the Western Canada Farm Progress Show in Regina, Sask., and Canada's Outdoor Farm Show held each year near Woodstock, Ont., both boast attendance that's roughly one-tenth of Agritechnica's draw.

Unlike the Canadian shows, Agritechnica doesn't feature any seed, fertilizer or crop protection companies. It's strictly a show for farm machinery ranging from field crops to horticulture and from precision farming technology to biogas production.

While Canadian exhibitors used the show to promote their products to the international marketplace, technology transfer is a two-way street. Some of the equipment and technology from Europe will find its way to Canada.

Doing business with Europe

The number of European companies that showed an interest in coming to Canada to exhibit at Canada's Outdoor Farm Show encouraged show president Doug Wagner. His team participated with an exhibit at a Canadian Pavilion.

"A lot of producers in Ontario came from Europe and they're familiar with European products and brand names," Wagner says. "A couple of European-based companies are already part of Canada's Outdoor Farm Show. More are interested in doing business here, particularly some tillage companies."

Some Canadian producers aren't waiting for European companies to bring their products to Canada. They're already doing business across the pond.

Darren Ippolito and his family run Moose Creek Red Angus near Kisbey in southeastern Saskatchewan. Even before attending Agritechnica last fall, Ippolito had already imported a telehandler from the United Kingdom.

"The telehandler is equipped to tow equipment at high speeds. It has hydraulic brakes and can travel 50 kilometres an hour on the road," Ippolito notes. With cattle in a number of different fields well into the winter for swath grazing, he finds the telehandler a more versatile tool than a payloader.

Having purchased a piece of equipment from Europe, Ippolito was naturally drawn to Agritechnica. The trip allowed him to begin his search for a large front-wheel assist tractor. He'll stick with a company common to North America so that he has access to parts and service, but he's looking at features not readily available over here.

While importing all the way from Europe would appear cost prohibitive, Ippolito says good used equipment is often available at a much lower price. Although it takes a lot of organizing, he expects the freight from the U.K. to his Saskatchewan farm to total only $5,000 to $6,000.

"There are many more makes of tractors in Europe than we have here," Ippolito says. "Farmers who have come to Canada from Europe will create a market for these other brands." It was a neighbour originally from the U.K. who got Ippolito started on his cross-Atlantic shopping.

While Ippolito was primarily interested in seeing equipment related to cattle production while touring Agritechnica, Gord Visser of Norbest Farms Ltd. at Fort Saskatchewan, Alta., was interested in potato equipment.

“We tend to hear about European agriculture being relatively small scale. That’s certainly not the reality when you attend Agritechnica.”

Norbest produces seed potatoes, and Visser looked at everything from potato harvesters to sorting equipment. He was also fascinated by the other horticultural equipment on display.

A potato equipment dealer from Alberta organized the trip for a number of customers including Visser. In addition to Agritechnica, they toured several European potato farms and some equipment manufacturing facilities.

“European equipment is ahead of what we have in North America,” Visser says. “The harvesters clean out dirt and lumps better, although they don’t have quite as much capacity.” Visser currently owns a European-built harvester as well as harvesters built in the U.S. He wants to stay on top of the latest equipment developments for his next purchase decisions.

Impressed by European agriculture

Most first-time attendees are overwhelmed by the scale of Agritechnica and the number of attendees. That was certainly the case for Jim Pallister, a grains and oilseeds producer from near Portage la Prairie, Man.

“In Canada, we tend to hear about European agriculture being relatively small scale. That’s certainly not the reality when you attend Agritechnica,” Pallister says.

He was impressed by the obvious strength of the German economy and its manufacturing sector. About half of the exhibitors were from Germany, and German was the main language of business.

“While many of the farms in Western Europe are on a relatively small acreage base, you could also meet some Russian and Ukrainian producers who are operating some of the largest farms in the world.”

While the big equipment and the big displays attracted the largest crowds, Rob Saik spent most of his time at smaller booths exploring emerging technology.

Saik is the founder and CEO of Agri-Trend Group of Companies based in Red Deer, Alta. His companies provide services to farmers that range from agrology to grain marketing to carbon credits.

“There’s a proliferation of sensing devices that should produce a new wave of agricultural efficiency,” Saik says. “Better information leads to better decision-making.”

Saik was fascinated by the robotics, including a machine that photographs individual corn plants from the top and the side as an aid to plant breeding. He also saw a remote aircraft developed for crop monitoring.

The gold-award-winning innovation at Agritechnica 2011 was the Fendt Guide Connect. It allows two separate tractors hooked to field implements to be run by just one operator. Fendt plans to launch it commercially in late 2012 in Germany, in its largest model of tractors.

Watch for it. In the years ahead, this and other technology from Agritechnica will be making North American debuts.

BY KEVIN HURSH

Watch two videos about Agritechnica, produced and narrated by Kevin Hursh, at **www.fcc.ca/agrisuccess052012**

Agritechnica is held every two years in Hannover, Germany. The next show will be in November 2013.

FEATURE

Lean manufacturing offers a competitive edge

This management philosophy is bringing tangible financial results to agriculture's supply chain, starting with farmers.

Agriculture is traditionally an industry of low margins, high input costs and highly competitive domestic and international markets. An increasing number of farmers and ranchers are using lean thinking to fine tune their operations and improve efficiency.

Lean manufacturing draws on the knowledge and experience of the people who do the work to improve quality, streamline processes and reduce the time and cost of production.

"Lean provides a standard and structured approach to reducing waste from a system," says Jeff Mackey, senior lean consultant with Fujitsu Consulting Canada. "With growers, projects take on a different flavour depending on the crops, but the tools and concepts remain the same."

While the primary goal of lean manufacturing is waste reduction, full implementation of the philosophy encourages a culture of continuous improvement, employee engagement and a focus on sustainable production without ever losing sight of the value offered to the customer.

The agriculture industry has been slow to adopt lean manufacturing, but Mackey sees that changing.

"Within agriculture, processors started the wave, and now we're seeing interest from growers," he says. "Larger companies like Maple Leaf Foods have developed internal lean programs, and eventually they will work their entire supply chain into the process."

Dave Van Belle, owner of Van Belle Nurseries in Abbotsford, B.C., was an early adopter in the agriculture industry. His nursery supplies young plants to wholesale nurseries across North America, and provides potted plants, trees, shrubs, perennials and vegetables to independent garden centres and mass retailers. They employ 50 year-round staff and up to 100 people in the peak season.

Six years ago, Van Belle connected with a lean consultant after reading about a grower from Florida who had increased production by 50 per cent while improving employee morale. Today, he credits his nursery's success to the culture created by lean thinking.

"The lean process drives me," Van Belle says. "The whole idea is to make more efficient work processes with the same or fewer people – to make workers more productive not just with their hands, but with their heads as well."

"We get way more productivity, and it's an appealing system for employees because they have more control over their work environment and are more self-managed," he adds.

Lean manufacturing processes were used to revamp the nursery's entire production process for plant propagation, as well as administrative functions such as billing and freight co-ordination.

"Everything is controlled, planned and measured. It's much more organized and calm. Without the lean system, we wouldn't be executing nearly as well," Van Belle explains. "We used to work a lot of late nights loading trucks in the spring, but now we're home on time."

The nursery used lean principles to implement a pull-driven system able to respond quickly to the needs of the customer. This is a critical factor in their ability to stay ahead of lower-cost competitors, particularly from the United States.

"We do custom tags and next-day delivery," Van Belle says. "Costco orders for next-day delivery to their stores across Western Canada. They'll send us their order by mid-morning, and we will have it on the truck by the end of the day to get it there on time. If I couldn't do that, they'd be buying somewhere else."

"If Canadian agriculture is going to compete, we're going to have to get more and more lean," Van Belle adds. "Here in B.C., we're in a high-cost area compared to everywhere else in North America. The only way to survive is to become more efficient."

Southern Alberta rancher Keith Everts got involved with lean manufacturing through a pilot project offered by Alberta Agriculture and Rural Development under Growing Forward. The project provided smaller producers with access to lean consultants to get a feel for how the process could work for them.

"Sometimes being more efficient in the smaller aspects keeps you in the playing field," Everts says.

Everts, with his wife, daughter and son-in-law, manages 5,000 acres and over-winters 500 head of cattle. They sell their beef as part of Diamond Willow Organics, a collaborative of seven certified organic ranching families in Western Canada.

"Lean provides a standard and structured approach to reducing waste from a system."

"The opportunity was there, and the ranch was at a point where it needed an extra boost," Everts says. "On the ranch end, you have to separate the farm from family and make yourself accountable. Having someone come in and start separating those things out for us was really helpful."

"Lean provided the steps and processes to get everyone on the same page and clarify their roles," he adds.

The lean coach also helped them identify opportunities to improve internal communications about where people were and what needed to be done. A simple white board hanging in the shop allowed staff to take the initiative without having to wait for directions.

"Your people are the most valuable asset on a ranch. If you can't motivate the people around you, they don't take ownership and things don't get done," Everts explains.

In addition to implementing communications tools, Everts implemented new software programs to help with nutritional balancing, feed costs and record-keeping.

"We were more productive this year than we ever have been. The lean process helped us understand everybody's needs and make sure they had the information and tools required to make decisions," he says.

BY **TAMARA LEIGH** / *Tamara is a freelance writer and communications consultant based in British Columbia. She is passionate about helping people understand agricultural issues and giving voice to farmers' stories. Tamara contributes to publications in B.C. and across the country.*

Learn what lean processes could do for your operation at Alberta Agriculture, **www.agric.gov.ab.ca** (search for "lean"), or **www.LeanCEO.com**.

FEATURE

Marketing changes
for Prairie wheat and barley

"The world won't come to an end on Aug. 1, nor will it be the beginning of the second coming or the Nirvana or whatever you want to call it," says Charlie Pearson, provincial crops market analyst with Agriculture and Rural Development in Edmonton, Alta.

The passage of Bill C-18, the legislation that removed the Canadian Wheat Board (CWB) monopoly on wheat and barley sales is significantly changing many aspects of Western Canada's grain system. Many are predicting it will take some time before everyone's comfortable with the new system, but the fundamentals of the world wheat, durum and barley markets won't change.

Edgar Hammermeister, a grain producer from Alameda, Sask., says he's looking for excuses not to grow any spring wheat this year. He fears that the abundant global stocks make wheat a poor bet for his farm this growing season. As far as he's concerned, whether the CWB is present or not is irrelevant. For him, it all comes down to balancing wheat's proven ability to withstand a potential drought against a potential oversupply.

Hammermeister likes taking a contrarian approach to crop selection. If the moisture outlook improves, he would include malt barley in his crop mix. He feels people are so frustrated with malt barley prices that this year might be a good year to grow some. However, the current contracts being offered concern him.

"There's a significant amount of uncertainty about how everything will play out," he says. "Right now, malt barley contracts are on a deferred delivery basis only. If you don't make malt, you either have to buy yourself out of your contract or you have to find it. That leaves you exposed to a tremendous amount of risk at the moment because there's no indication as to what the discounts would be."

"Farmers really need to read over the contracts," Pearson says. "They need to be aware of what the commitments in the contracts are and be willing to live with them."

That's especially important in these early days, says Brenda Tjaden-Lepp, chief analyst with Farmlink Marketing Solutions. Contracts for new wheat, durum and malting barley have been inconsistent since the grades that are tied to the prices vary from one company to the next. She stresses that growers should shop around before they sign any contracts.

Tjaden-Lepp thinks a lot of the uncertainties will iron themselves out once future contracts become more firmly established. The CWB is planning cash as well as pooling options, and the ICE Futures Canada exchange in Winnipeg has announced a full range of made-in-Canada futures contracts.

The ICE action sets the stage to determine whether the Winnipeg-based exchange or the Minneapolis Grain Exchange will be the home of the dominant spring wheat futures for Western Canada.

Fortunately, nearly all producers have at least some experience selling crops on the open market, Pearson says. "If you are already accustomed to marketing canola, peas, oats and domestic feed barley, then you won't find doing the same thing with your wheat to be a radical change."

"There isn't a single thing that's unique about it in terms of making a selling decision," Tjaden-Lepp says.

She says all basic considerations like price profitability, cash flow need, delivery availability and amount to sell off the combine to deal with storage still apply.

Lock in a delivery window

Perhaps the biggest change in the new system will be how producer delivery options will be affected. On average, 25 million tonnes of grain are grown on the Canadian Prairies every year, but the primary elevators only have the capacity to store a fraction of that amount.

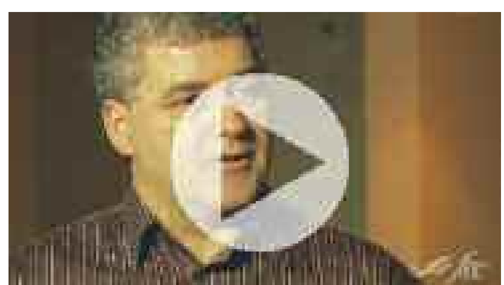
> "Nearly all producers have at least some experience selling crops on the open market."

It can't all be delivered at the same time. Movement to export is a year-round process, much the same as it is for the other crops farmers grow. Under the old system, CWB would control delivery volumes through contract delivery calls, but this will change in the new system.

"Farmers really need to think about when they want to deliver their grain and make arrangements to do it," Pearson says. "There's a good chance that individuals who have contracted with the grain companies will get preferred access to elevators at key time periods because they've made the commitment to their grain company."

"If you haven't done that, you may or may not have that ability to move your grain when you want to. Marketing and planning will become more important than ever."

BY LORNE McCLINTON



Watch interviews with Mike Jubinville at
www.fcc.ca/agrisuccess052012

Mike Jubinville, lead analyst and President of Pro Farmer Canada as well as columnist for FCC Express, talks to host Kevin Hursh about navigating through recent marketing changes.

When farm kids leave home

Farming is now a career choice, and exploring the world before settling down has advantages.

Farmers have traditionally been apprehensive about letting their kids get too close to the bright lights of the city. They feared the grass would be greener on the other side of that fence, and their soon-to-be successor would never return to the farm.

Today, the best thing that could happen to those sons and daughters is that they go off and see something else of the world before launching their farming careers. Farming is now a profession that operators have to want to engage in, and the sojourn away from the home farm could help make the young producer a better farm manager.

Getting away is a good thing, not just for schooling, but to be able to see how things are done elsewhere. It could be a haphazard (but very enjoyable!) journey around the world, but better to have a bit of a plan in mind.

Ben and Suzanne Cuthbert, dairy farmers at Ladysmith, B.C., encouraged their son Thomas to work off the farm and go away to get an education. He selected the University of Saskatchewan for agricultural economics, and now 25 years old, he has returned home and started a broiler operation as his own part of the farming enterprise.

"It was a really good choice for him," says Suzanne. At the time of the interview, Thomas was fitting cattle at a show in New Zealand. It's a recent "hobby" stemming from an interest in dairy genetics he developed at school. "He met lots of forward-thinking young farmers while at university, and it helped him realize that he did want to farm after all."

Other options are to take a degree in business administration, or complement agricultural training with an MBA. Taking some non-agricultural courses at a faraway location for some different life experiences is a pretty good two-for-one deal.

Sign up for an agriculture work exchange (just Google the term and you'll get dozens of choices), or perhaps there's someone the family met at a conference who is interested in hosting. There's also the benefit of working in another type of business. A marketing post with an insurance company won't do much for cattle handling skills, but it will provide insights into everything from financing to human resource management.

Whatever the choice, the grass will likely be greener when the wanderer gets home.

BY **HUGH MAYNARD** / *Hugh is a specialist in agricultural communications based in Ormstown, Que. A graduate in farm management from Macdonald College (McGill University), Hugh is a seasoned journalist and broadcaster.*

Heads up on public roadways

Danger is a common consequence of farm equipment and motor vehicles sharing the same roads. One example that University of Alberta professor and injury prevention researcher Don Voaklander experienced himself came as he was heading home from work late one afternoon last fall on Edmonton's Whitemud Drive, a freeway that runs through the southern end of the provincial capital.

Suddenly, the cars ahead of him started to brake. Traffic slowed to a crawl, creating a hazardous situation as frustrated drivers tried to switch into faster-moving lanes. Voaklander eventually came upon the reason for the gigantic traffic snarl – a farm tractor going at low speed in the slow lane.

"Here was this guy on the freeway at dusk with no lights on his vehicle," recalls Voaklander, director of the Alberta Centre for Injury Control and Research, a provincial body that studies accident data and makes prevention recommendations to government and other safety stakeholders.

Voaklander says data from coroners' offices across Canada indicate there have been 241 fatalities in road accidents involving farm equipment over the past 20 years. Equipment operators – all of them farmers, family members or farm employees – accounted for 54 of those deaths.

According to data from the Canadian Agricultural Injury Surveillance Program, 13 per cent of all farm-related fatalities in Canada are from traffic-related accidents, most of which involve tractors.

"Farm equipment moves slowly, particularly along rural roads, and cars go fast," Voaklander says. "Farmers are often not at fault; car or truck drivers strike farm equipment because they are going too fast for the weather or road conditions."

However, he says the onus is on producers to take a variety of measures to enhance their safety, particularly during the planting and harvesting seasons when many haul ever-larger machinery on public roads, sometimes over long distances. Roughly half of farm equipment-related collisions occur between July and September.

"Visibility is the key," Voaklander says. "You have to be lit up and be seen at all times."

He also recommends avoiding busy roads whenever possible, even if it adds to travel time.

"You don't want to be on a major highway during rush hour like the guy I saw," he says.

Other road safety tips contained in a report by Ontario's Farm Safety Association (www.farmsafety.ca) include travelling at speeds that allow control at all times and driving fully on the shoulders of paved highways whenever possible. If that's not possible, farmers should drive fully on the road – never partly on shoulders and partly on roads. If and when cars start to line up behind equipment, operators should wait until a suitable shoulder is available, then pull over and let traffic pass.

It's also recommended to move equipment during daylight hours and when traffic is lighter. "Travel after dark only if absolutely necessary," it states in the report. "Remember, you need proper lighting for night driving."

BY **MARK CARDWELL** / *Mark is a writer and freelance journalist who lives in the Quebec City region. He is a regular correspondent for a dozen newspapers, magazines, trade and specialty publications in Canada, the United States and Europe.*

Canadian farmland values continue to rise

The average value of Canadian farmland increased 6.9 per cent during the last six months of 2011, according to the Farm Credit Canada (FCC) spring 2012 Farmland Values Report. This follows increases of 7.4 and 2.1 per cent in the previous two semi-annual reporting periods – in fact, values have risen steadily during the last decade.

"Low interest rates, in relation to inflation, and higher crop receipts have recently led to significant increases in farmland values in some provinces," says Michael Hoffort, FCC Senior Vice-President of Portfolio and Credit Risk. "FCC's analysis indicates that farmland value trends are sensitive to both interest rates and crop receipt trends. With interest rates expected to remain at historic lows until 2013, it is especially important to monitor trends in crop receipts in the coming year. These factors, combined with strong demand from expanding farm operations and increasing interest by non-traditional investors, have all played a role in the continuing trends toward higher farmland prices."

Farmland values remained stable or increased in all provinces. Saskatchewan experienced the highest average increase at 10.1 per cent, followed by Ontario at 7.2 per cent.

Alberta and Quebec experienced 4.5 and 4.3 per cent average increases respectively, followed by Nova Scotia at 3.2 per cent and Manitoba at 1.9.

Prince Edward Island saw values rise by 1.5 per cent, New Brunswick by 1.3 and British Columbia by 0.2 per cent. Values were unchanged in Newfoundland and Labrador.

Almost all Canadian farmers – from grain growers to cattle ranchers to potato producers – can look forward to good times for up to the next 10 years, according to new projections from Agriculture and Agri-Food Canada. "A more affluent population in emerging economies like China and India is driving the global demand for food, and results in crop and livestock prices remaining above historical averages," says Jean-Philippe Gervais, FCC Senior Agriculture Economist. "This helped propel the value of farmland to record highs. It will be important for producers who want to sell or buy farmland to keep an eye on variations in Canadian farm income."

In addition to current data for each province, the Farmland Values Report shows trends over time and details drivers of land values by province. Published each spring and fall, the report is a key decision-making tool for owners, renters, buyers and sellers of agricultural land – one of the most important assets in the agriculture industry. FCC has produced this one-of-a-kind report since 1984.

Read the complete report at www.farmlandvalues.ca.

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