MAY / JUNE 2013

**real-life**
farm management
stories

# AgriSuccess

**Saskatchewan farmer Dan Flynn's game plan to manage risk**



## FEATURES



## COLUMNS




**MAY / JUNE 2013**


**On the cover:**
To Saskatchewan pulse and oilseed producer Dan Flynn, good farm management means keeping an eye on everything from input costs to price risk. (Page 4)


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**Original photography by Greg Huszar**





**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 2009, 2012
- Canadian Agricultural Marketing Association (CAMA) Awards; Excellence 2009, 2010; Merit 2006, 2007, 2011





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# from the editor

How much money per acre do you have invested in farm equipment? I did the calculation for my farm in southwest Saskatchewan. It isn't a big operation compared to many of my neighbours, but we grow a wide variety of crops ranging from kabuli chickpeas to canaryseed to carinata.

When I added up the estimated market value of the equipment and divided by the seeded acres, I came out to $178 per acre. Is that high or low?

I don't know the numbers for my neighbours, but the 2013 Crop Planning Guide published by the Saskatchewan Ministry of Agriculture assumes an average machinery investment of $238 per cultivated acre in the black soil zone, $207 per cultivated acre in the dark-brown soil zone and $178 per cultivated acre for the brown soil zone.

How about that! I'm average for my soil zone. However, the guide goes on to say that an additional machinery investment of $63 per acre is assumed for pulses and some specialty crops. Looks like my equipment investment is actually below average.

Ted Nibourg, a farm management specialist with Alberta Agriculture, says the average equipment investment in that province calculates out to $216 per acre. Nibourg also advocates another benchmark – the market value of machinery investment divided by the long-term gross revenue per acre.

Back in 2003, Nibourg says the average Alberta farmer had $2.29 invested in machinery for each dollar being earned in gross revenue. Since then, that has declined steadily to a ratio of $1.06 in 2011.

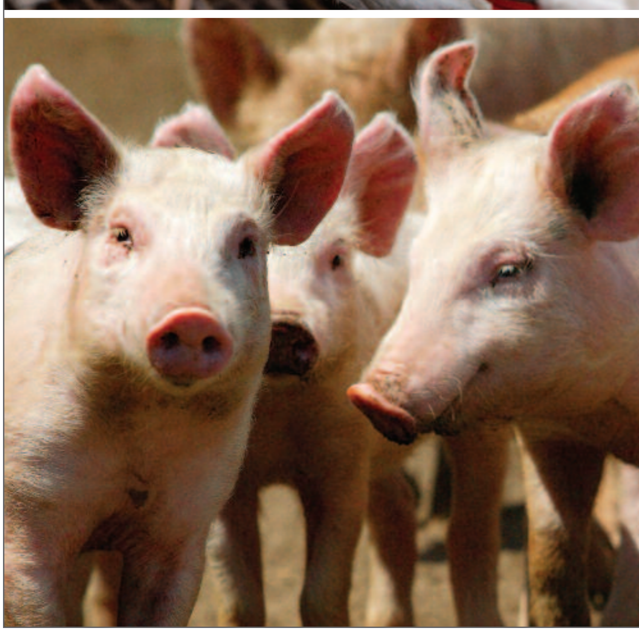
A low equipment investment compared to the benchmark isn't necessarily good. It may mean more money in repairs or it may mean you aren't getting all your field operations done in a timely manner.

A high equipment investment compared to others growing the same crops in the same region may not be good either. Too much shiny iron can inflate your cost of production.

This edition has stories on benchmarking and on machinery costs. We hope you find the information and viewpoints useful for your farming operation.

We're always interested in your story ideas. 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.*



# Benchmark for **profitability**

## How does your farm stack up?

Does it cost more or less to grow a bushel of canola on your farm than your neighbour's? How many cents does it cost to produce a litre of milk? Comparing your farm's numbers to industry benchmarks can show how your operation fares in comparison to others in your sector. More importantly, benchmarking can give you clues on how to improve profits.

The benchmark concept is relatively simple, says Dean Klippenstine, primary producer niche leader for MNP Canada in Regina. Farmers evaluate select aspects of their farm businesses using data from accrual-based financial statements to get benchmark performance numbers.

Profitability benchmark analysis only looks at your gross margin and your overall operating costs, to keep things simple. Other major components, like your farm's capital structure, are analyzed separately.

Comparing gross variable margins, the direct variable costs of two crops such as a cereal and an oilseed, for example, gives you crop-by-crop results. You can tell at a glance whether your canola or your winter wheat were better performers. Overall operating benchmarks allow you to track costs like equipment depreciation, repairs, fuel, machinery rentals and custom work.

Once you know your benchmark numbers, you can compare them to previous years to get a true gauge of how well your farm is doing from year to year. However, Klippenstine says, the real value lies in taking your data to an outside party to see how your production costs stack up against top performers in your sector. It can show what you're doing right and where you can improve.

"If you see some of your numbers are out of step with the industry leaders, you'll know which areas of your operation have potential for improvements," Klippenstine says. "If the top cow-calf producers are making $300 per head profit but yours is only $200, something you are doing – or not doing – is costing you $100 per head."

## Building a database

Benchmarking your farm operation can be a great way to find out how well your farm is doing compared to others, but it's not something you can do on your own – even if you're comfortable with farm financial management software. You'll have to hire a third party.

Consultants aren't smarter than the farmers they are dealing with, says Klippenstine. They have access to the data from hundreds of farms, whereas individual producers only have access to their own data. It's just not enough information to get a broad picture and improve the operation.

"The only public data available is typically macro data that looks at the entire agriculture industry," Klippenstine says. "That may slowly be changing as more and more farmers are starting to use benchmarking. We're working hard to generate Canadian databases that producers can use to improve their operations. It's not done yet, but we (MNP) are working aggressively towards that goal. We don't want to target what the industry is doing; we want to target what the best of the industry is doing. That's the powerful benchmarking data that we want."

## Gaining popularity

Benchmarking is used in many different manufacturing and retail enterprises, but it's just started to come into common use in agriculture. According to survey results released in 2011, 35 per cent of farmers using FCC's management software compared their operations to others. A further 28 per cent said they plan to start in the near future.

Agriculture producers, like other business managers, are adopting the practice for two reasons. First, benchmarking shows them how they stack up against their peers. Secondly, it highlights areas of their operation that have room for improvement. Then they can take steps to enhance performance and profitability.

The survey results showed that poultry (69 per cent) and hog (60 per cent) producers were the most likely sectors to benchmark. There were differences between provinces too. Slightly less than half (48 per cent) of the respondents from Ontario used benchmarks, but just 29 per cent of Manitobans did.

While more and more producers are interested in trying benchmarking, it's not universal. The reason most often given for not benchmarking was that they preferred to make decisions based on their own personal situation, not what others were doing. The next most common reason was that they didn't know where to go to get information.

Survey results showed that poultry and hog producers were the most likely sectors to benchmark.

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.*


WESTEEL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# Managing risk
## and growth

Some farmers love to go out and tinker in the shop, and others live to scratch around in the dirt. While Dan Flynn doesn't mind doing either, he says his strengths as a farmer come through when he's sitting in his office. Flynn, a pulse, cereal and oilseed producer who farms with his father Jim Flynn near Beechy, Sask., describes himself as a risk manager.

"Good farm managers manage their risks all the way from their inputs and outputs to managing their cash flow and price risk," Flynn says. "Maybe we don't hit as many home runs as some farmers, but I haven't struck out either. I think in the long term, it's a more successful strategy than having to swing for the fences every year."

Flynn says canola prices in fall 2012 were a good example. At the time, producers were offered just under $14 a bushel, picked up in the yard, but many didn't sell.

"Why not?" Flynn asks. "There's a four or five per cent chance [the price is] going to go past historical highs into uncharted territory, and a 60 to 70 per cent chance it's going to fall back – which it did. Cash flow is king in this business. If you don't have cash at the end of the day, you're dead in the water."

He's noticed that producers too often don't realize the time value of money and the advantages of having the cash in hand as early as possible. In December 2012, Flynn was approached to sell as much of his red lentil crop as he wanted, for 19.25 cents a pound. He'd be paid by January 1, 2013. Or, he could sell them at the end of February for 19.5 cents. Flynn decided the extra quarter-cent wasn't worth the wait; he sold in December and had his cash in hand 60 days sooner.

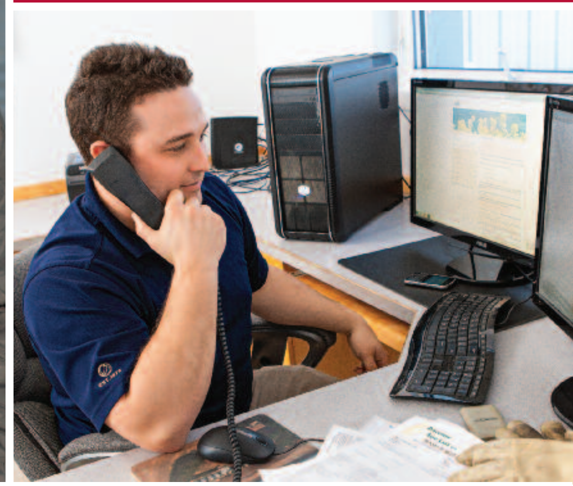
Flynn meets with his managerial accountant twice a year. Together, they go over his numbers so he has a pretty good idea of where he sits financially. The pair pay particular attention to when he'll need volumes of cash throughout the year and develop strategies to meet those needs.

### Grow for tomorrow

One of Flynn's key strategies is continual growth. Ten years ago, Dan and his father were farming slightly less than 3,000 acres. A big farm was 4,500 acres. Attending university opened his eyes to the potential of farming.

"One of the first days that I went to university, I met a guy who said he farmed 13,000 acres," Flynn says. "I thought he misspoke, because 1,300 acres was a common farm size at that time."

> "Good farm managers manage their risks all the way from their inputs and outputs to managing their cash flow and price risk."



Since then, Flynn and his father have steadily increased the size of their farm. They've set three, five and 10-year growth targets. Currently, they farm 9,000 acres and expect to be between 16,000 and 18,000 acres within the next 15 years – their ideal farm size.

## Have realistic ideas

Flynn believes their growth strategy relates back to knowing their numbers. "Be realistic. Know what the benchmark numbers are for your area, and be realistic about how much ground you have to cover to make a living," he says. "You're going to have to cover more acres than you ever have before. Margins are now back to 2006, 2007 levels because inputs have risen so much. If you think you can just farm 2,000 acres and still be able to buy a new Duramax truck every three years, you're kidding yourself."

Education is important too, Flynn says. He's troubled that so few young people, particularly men, are going to university. Many farms are now multi-million dollar businesses, and producers need management skills to run them. Details are important.

## Consistency pays off

"I'm definitely not a guy that's done anything extraordinary as far as having a different business plan. I think our ability is just to keep our eye on the ball and do it consistently," Flynn says. "I think that's the long-term secret to farming."

BY LORNE McCLINTON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# Change is opportunity

Curt Vossen talks about navigating change in today's business world.

### How can farm business owners successfully navigate change?

Change is inevitable. It can, if managed properly, be an asset and be an advantage. If it's not managed properly, or it's held in abeyance and not addressed correctly and effectively, it can be a deterrent in the growth of a business or can leave a business behind in the dust. You've got to look at change as an opportunity and certainly an opportunity to make the right decisions.

### What can farmers learn about managing conflict from Richardson's 150-year history as a family-owned business?

In business, there is the potential for conflict. But the key to success is how you manage it. In any organization, you have to be able to communicate effectively, value everyone's opinion, work together to find the best solution collectively and move forward.

People are not always going to agree on every decision. But if people are treated with respect and dignity, and their opinion is valued, and the explanation of why you made a decision is clearly communicated, I think you have a greater chance of success.

### What sort of non-traditional business opportunities do you see coming?

Certainly, the focus by consumers around the world in health and the healthful aspects of food and food products is an opportunity of the future.

In Canada, health in production of the crops we produce is right within our natural wheelhouse. Canola is a very healthy oil, and it's an oil that is now being adapted by processors in a much more aggressive and populist way. Flax is a functional food. Oats are increasingly a functional food. I think some of the end traits of these commodities are going to become specific to farmers and consumers, connecting those specific needs with production – in other words, prescription farming for those particular requirements.

Also, I see technology as a non-traditional opportunity, by taking a product that has traditionally had one use and fracturing that into a number of different uses. It could be a food, functional food, pharmaceutical, resin, material, or it could be – as in the case most recently – a fuel.

**CURT VOSSEN**

*Curt Vossen is President of Richardson International Limited, Canada's largest privately owned agribusiness employing more than 1,800 people across Canada.*


Watch the full interview with Curt Vossen.
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FEATURE

# Know your financing options

With the high cost of farm machinery, is it more economical for a producer to lease equipment than buy it? It's an important question because for many grain farms, machinery is the single largest operating expense after fertilizer and chemicals.

There's no simple answer, but a lot depends on the size of the operation and the owner's plans. Industry observers say the bigger the farm, the more likely it is to do some equipment leasing.

## Large operations leasing

Many larger producers in expansion mode are opting to lease, according to Kevin Comte, marketing manager for a Manitoba John Deere dealership, Enns Brothers Ltd. Paying for the use of equipment rather than owning it allows them to free up cash for land or other capital investments.

"To have equity invested in land versus equipment seems to make sense for them," Comte says. "We have seen a trend for large expanding operations to go down the leasing path."

Producers who use debt to buy land may also find leasing advantageous. Scott Anderson, a certified general

The situation is different on every farm, so the solution may be different as well.

accountant in Brandon, Man., says if they're already making payments on equipment loans, those loans show up as debt on their financial statements and may limit the acquisition of further debt. Lease payments are classed as a tax-deductible operating expense, not debt. So, producers who lease equipment may have more credit available for expansion.

They may also have a larger annual tax deduction than if they purchase machinery and finance it through conventional means, he explains.

Some large operations lease most of their equipment for one year, then turn it over and lease a new fleet the next year. Anderson sees some logic in that approach, because they'll always have new equipment covered by warranty.

Of course, if you switch from equipment ownership to lease agreements, it can be more difficult to go back to ownership because you no longer have equity in the equipment.

## Custom operators and rentals

Hiring custom operators is another option. Harold Froese, a Manitoba farm financial consultant, says one advantage of custom work is that producers don't have to deal with the cost of ownership. But custom work also has a downside: it may not be available when you need it. He points out that in the U.S. Midwest, harvest season is long and dry, so custom combining works well there. But in Canada, the weather can change in an instant and getting a custom combine at short notice can be difficult.

Renting equipment may be another option. Sometimes that works well. But finding available equipment to rent when it's needed can be tough, says Harvey Chorney, an agricultural engineer with the Prairie Agricultural Machinery Institute in Portage la Prairie, Man.

"If you have neighbours with combines and seeding equipment that you can rent, that's a nice option to have," Chorney states. "But generally the guys who have this equipment will only rent to you when they've done their work. If you have a bad year when rain has messed things up, you're at the bottom of the list and your operation is going to suffer."

Producers can lease a great deal of their equipment and own many pieces as well. The situation is different on every farm, so the solution may be different as well. The only way to know what's right for your farm is to run the numbers and weigh the pros and cons.

BY **RON FRIESEN** / *Ron reported on agriculture for the Manitoba Co-operator, a weekly farm newspaper, for 23 years. Now retired, he's a freelance writer.*

**VIDEO:** Buy, lease or hire? When it comes to farm equipment, there is no easy answer. This Management Moment video explores some of the advantages and drawbacks of each.
**www.fcc.ca/AgriSuccessMay2013**

FEATURE

# In farm succession, does fair mean equal?

Parents usually don't intentionally play favourites with their kids. They love each kid and try to abide by principles of fairness and equality. However, when it comes to farm succession, what's fair is not necessarily what's equal.

For most farm families, the vast majority of the net worth is tied up in the farm. This is particularly true as farmland values continue to increase.

Dividing the assets equally among two, three or more kids could mean dividing up the farm that the family has worked hard to build. A farm operation that's hamstrung for resources will have diminished viability.

With enough lead time and planning, it's possible to involve more than one child in a viable operation. Sometimes, though, the farm needs to pass to just one of the kids. There may not be enough cash flow and profitability for more than one of them, particularly when the retirement needs of the founders are taken into account.

So, can an unequal division of assets still be fair?

Addressing the question of equal versus fair, Reg Shandro of Farmacist Advisory Services shares a real-life example. Based at Lacombe, Alta., he worked for many years as an agriculture lender and then farm management advisor and in 2006, established Farmacist.

Shandro tells of an elderly rancher operating in a manner that was barely viable, economically – but the ranch had a significant net worth.

One son eventually ended up with the ranch and consequently a larger monetary value than what his siblings received. But he'd been the one who worked in the operation over the years, building its value and contributing to its success.

According to Shandro, who helps guide families through the farm transfer planning process, the successor will often have to tolerate the idiosyncrasies of the farming family. "In exchange for allowing the founders to live the life they want, the successor ends up with more assets than the other siblings," Shandro says.

Of course, "fair" is in the eye of the beholder. The common denominator to a well-developed succession plan is good communication among all the family members. That can be easier said than done.

When he works with a farm family, one of the starting points is to quantify all of the family's assets and list which specific assets might go to each child. This allows the family to discuss what is "fair."

The earlier the planning process begins, the more time there is to work at ways of equalizing the value of assets that each heir will eventually receive. Life insurance sometimes has a role to play in that regard.

There's no shortage of qualified accountants and lawyers to take care of the tax and legal aspects of farm succession. However, there is a shortage of people with the soft skills that can help the family communicate, allowing all family members to share their perspectives so the plan doesn't create hard feelings.

Shandro is one of those rare individuals who understands farming and finances as well as family dynamics. It helps that he is a qualified mediator with extensive formal training. He also belongs to the Canadian Association of Farm Advisors.

"Some farms end up being sold to a third party just to preserve harmony," Shandro notes. "The estate can then be split equally among the kids, but the farm doesn't stay in the family."

Some couples may think they can easily solve their succession quandary by giving each kid an equal number of the shares in the farming company. Shandro says that simplistic approach rarely works since the whole farm is neutralized and can't move ahead.

It's vital for a farm's successor to understand the economics of the operation. If returning to the farm from an outside job or business, it may take a while to determine if they're truly happy with the lifestyle and any change in income. That's why Shandro often advises a probationary period before final succession decisions are made.

There are no magic answers to preserving both the family farm and family harmony, but communication is vital. Another key is recognition that a fair division of assets is not necessarily an equal division, if the farm is going to remain viable.

## Equalization through life insurance

Reg Shandro doesn't sell financial products, saying it can cause mistrust when he's dealing with farm families. There are, however, many situations where it's a useful tool to help equalize asset distribution between farming and non-farming kids, he says.

Sometimes life insurance products do make sense, says Derrick Peterson, a partner in Silverberg Group Red Deer. His central Alberta firm sells them and he says they can be useful in succession planning, particularly if Dad and Mom haven't yet reached their 70s.

"These policies typically employ a joint and last survivor clause," Peterson explains. "Nothing is paid out until both spouses are deceased. That's what keeps the cost of the policy affordable."

Peterson says a couple who are both in their early 60s and enjoying good health can typically get $1 million joint and last survivor coverage for about $14,000 a year. This varies depending upon the specifics of the policy.

"The main issue is to make sure the clients can actually qualify for the insurance medically," Peterson says. "Insurance companies go over your test results with a fine-tooth comb, so it's really the best medical you can obtain."

Farm families sometimes consider selling a major farm asset, such as a piece of land, to create a more equal asset split between the kids. Buying life insurance can sometimes be a viable alternative.

An example: the farming child agrees to pay the annual premium ($14,000 a year) on the policy. Over 25 years, that's a total expenditure of $350,000. Of course, there's also the lost earning power of that money over the time period. But an extra $1 million would be added to the non-farm assets for division among the non-farming children.

Peterson estimates that life insurance is under-utilized, employed in only 15 to 20 per cent of farm succession plans.

Every situation is different: producers are advised to seek professional advice.

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.*

FEATURE

# Weighing the cost
## of equipment

Walk into any farm implement dealership, check the sticker prices and you'll soon see that machinery is one of the biggest capital investments a producer can make.

A new combine with a windrow pickup can cost over $350,000. A new average-sized, four-wheel-drive tractor sells for $325,000 or more. A high-clearance sprayer is in the $300,000 range, while a good self-propelled swather is worth at least $125,000.

Farm business management specialists say it's possible for a 5,000-acre grain farm to have $2 million worth of equipment sitting in the yard.

The high cost of machinery, which is essential to a successful operation, raises the question of whether a producer might be better off maintaining older stock rather than running equipment that's relatively new.

A lot depends on a producer's mechanical ability, says Bob Gwyer, a Manitoba Agriculture, Food and Rural Initiatives business development specialist. He says a farmer with strong mechanical skills can keep equipment operating perfectly well for years through regular repair and maintenance.

"Some combines out there date back to the mid-1980s," Gwyer says. "But if you're not really handy, then running older equipment is maybe not the best strategy for you."

Gwyer says even if equipment is older, it's nice to own it outright and not have to make payments. However, older equipment can be more prone to mechanical problems. If a combine breaks down during harvest and bad weather sets in, a producer waiting for replacement parts can end up with damp grain, a lower grade and less financial

return. Similarly, a mechanical failure during spring seeding can delay planting and result in significant yield losses.

As a result, producers might initially save money by running older equipment. But they can end up paying more in repairs and downtime. New equipment covered by warranty tends not to have that problem.

Another advantage to newer equipment is that it is often more precise and accurate. With technology quickly evolving, running the latest equipment allows access to some features and benefits that may not be available on older models.

Tax considerations can favour new equipment, says Scott Anderson, a certified general accountant in Brandon, Man., who works extensively with farm clients.

But not always. Anderson says a producer who borrows money to finance new equipment can claim the loan interest as an income tax deduction, but not the principal payments. New equipment is also eligible for a significant annual tax deduction because of depreciation. On the other hand, a 15-year-old combine is pretty much depreciated out, leaving a producer with little or no write-off.

"If you're buying new, the downside is that you have to cash-flow it. The upside is, you get higher depreciation and a better tax write-off," Anderson says.

The decision to have new or old equipment often comes down to the size of the operation, Gwyer says. Smaller producers tend to hold onto older machinery, while larger operators often run newer equipment and turn it over more frequently.

BY **RON FRIESEN**

A lot depends on a producer's mechanical ability.

**VIDEO:** Know your machinery costs – Why calculating and managing machinery costs is so important to your bottom line.
**www.fcc.ca/AgriSuccessMay2013**

GAME CHANGERS

# Zero
## doesn't live here anymore

**As science advances, so do contaminant detection levels. Parts per million are giving way to measurements in parts per billion. It's changing how we think about purity and safety.**

One part per million is the same as one second of time in 11.5 days. One part per billion is the same as one second in 31.7 years.

In many countries, food labels must list products that are considered priority allergens. In Canada, there are 10: eggs, milk, mustard, peanuts, seafood (including fish, crustaceans and shellfish), sulphites, sesame, soy, tree nuts, and wheat and other cereal grains containing gluten.

It may seem simple enough for food companies to list all the ingredients on the label of each food product so anyone with a specific allergy knows what packaged foods to avoid. But what if there are just a few parts per million of an allergen in the food? Not long ago, this minute level of contamination wouldn't even have been measurable.

It's extremely difficult for companies to know that their products are absolutely free of any trace amounts of

There's a push for greater food purity.

allergens all the time. To protect themselves, food companies could add more "may contain" statements on their labels, but this wouldn't really benefit consumers.

For genetically modified (GM) crops, Canada is developing a Low Level Presence (LLP) policy and will urge other nations to follow suit. This stems from the GM flax variety known as Triffid that disrupted Canadian flax sales to Europe.

Europe has a zero-tolerance policy for unregistered GMs. Even though Triffid was found at extremely low levels, and is registered in Canada and the U.S. for full human consumption, Europe treated it as a food safety hazard.

With an LLP policy in place, countries would accept trace levels of unregistered GM crops as long as they were fully registered in other countries that have credible control systems.

Overall, there's a push for greater food purity.

Avena Foods at Regina, Sask., specializes in the production of gluten-free oat products. Oats by themselves are naturally gluten-free, but it takes rigorous efforts starting with field selection and inspection to ensure that no kernels of wheat or barley end up contaminating shipments. That carries through to a processing facility that's allergen free and dedicated solely to oats.

Avena's products are certified to contain fewer than 10 parts per million of gluten. Even though certification comes with a price premium all the way down to the farm level, sales are rapidly increasing.

Sometimes lower detection limits are one of the new requirements for doing business, but sometimes they also create market opportunities.

BY **KEVIN HURSH**

**PHOTO** / Previous page: 1 – White beans in a sorter. Blue light helps the machine's sensors detect foreign material and defective beans.

# Do you have plans?

Here's a question: if planning is such an important aspect of farm management success, why don't more farmers do it? Surveys on everything from risk management to farm safety consistently show that fewer than one-quarter of farmers have a plan of any sort in place.

There are two main reasons. The first is that most of us don't know how to plan properly.

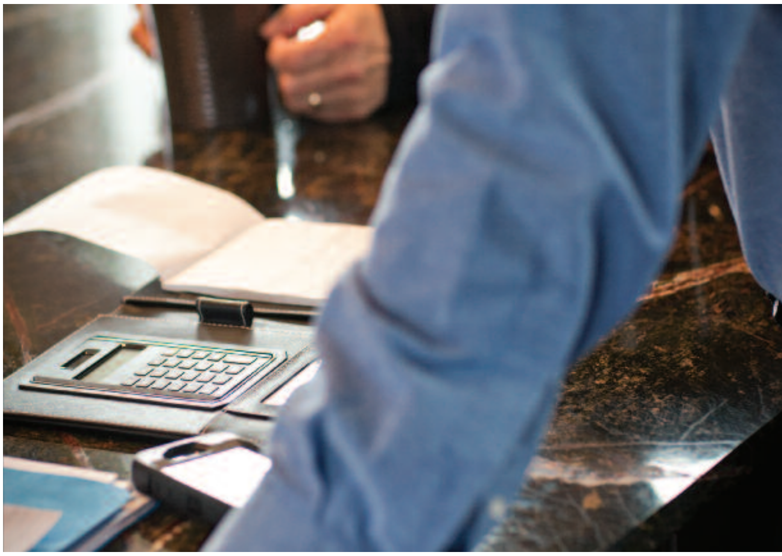
Michelle Painchaud, a professional planner, succinctly lays out the key elements of the planning process in her interview with FCC (see below for the link). In it, she explains that your vision must have an action plan to succeed. You need to plan for the unexpected, incorporate accountability, get feedback from those you trust and most importantly, share and respect the values of those you work with.

The second is a tendency not to plan because we fear that if we don't meet the goals we set out, we've failed. The problem is, if your goals are left as vague notions (no plan), how can you succeed? How do you know if you'll reach your destination, if you don't know where you're going?

One of the ways to change this is to set aside the all-or-nothing approach to planning and look at ways that can help achieve goals incrementally. For sure, dream big – there's nothing wrong with aiming for a 300-cow, free-stall barn with a robo-milker. But look at some steps that will help you work toward the goal, and insert them into the plan.

Get some smaller successes going to build on for the next phase. Maybe build the free-stall barn and use it to custom-raise replacements before moving on to the next stage of the farm's business development.

Finally, don't let perfect get in the way of the good. In other words, don't be discouraged if sometimes it seems



excellence is a long way from where you are. Or in football terms: if there are three points to be had from a field goal, isn't it better to take what's sure? Because there'll still be another chance at the touchdown later on. Winning coaches always have a plan – even if it doesn't turn out to be a perfect plan.

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.*

**VIDEO:** Vision and goal setting – Michelle Painchaud presents tips to help build an action plan for your farm's future.
**www.fcc.ca/AgriSuccessMay2013**

SAFETY ON THE FARM

# When lightning strikes

The old saying that lightning never strikes the same place twice does not apply to farms. Just ask Quebec dairy producer Bernard Blouin. One morning in June 1976, when Blouin was 13, he and his father were fixing a fence on their farm on Orleans Island, a renowned agricultural enclave near Quebec City.

"We saw a storm coming," says Blouin, who now owns and operates the 150-head dairy with his younger brother Bruno. "But we only had a tractor and we were a mile from the house, so Dad decided to stay and finish the job."

When the storm hit, however, it rained so hard that the two of them huddled against one of the tractor's rear wheels for shelter.

"All of a sudden, there was a huge 'boom!'" Blouin recalls. "I went stiff as a board for a few seconds like I was paralyzed, then fell on the ground screaming."

Other than a major-league fright and a burn mark on his back, which was touching the tire rim when the lightning struck, Blouin and his father walked away unharmed.

Last August – the same month lightning strikes killed a farm worker in Ontario and 19 beef cattle in New Brunswick – Blouin's employee caught a similar break. He and Blouin were cutting hay in different fields, about two kilometres apart, when a storm rolled in.

"It wasn't raining, but it was really dark. We talked on cell phones and decided to keep going because we were almost finished."

A few minutes later, however, the terrified employee arrived at high speed. A lightning strike had blown out a door window, showering both the employee and the tractor cab with broken glass.

The tractor functioned normally, but it was down 20 litres of transmission oil. "Where it went to is anybody's guess," Blouin says. "It vanished into thin air."

Although not the most dangerous threat for farmers, lightning strikes should be taken seriously.

According to Canadian Agricultural Injury Reporting, a national system that monitors agriculture-related deaths and injuries, there were nine farming fatalities from lightning in Canada between 1990 and 2010.

Three victims were on or near machinery, three were walking in fields, two were under trees and one was riding a horse.

For safety, Environment Canada recommends taking shelter in low-lying areas, avoiding contact with water and avoiding "objects that conduct electricity, such as tractors, golf carts, golf clubs, metal fences, motorcycles, lawnmowers and bicycles."

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.*



# Expansion plans and strong crop receipts help push land values higher

According to the latest FCC Farmland Values Report, Canadian farmland increased 10 per cent on average over the last six months of 2012, the highest average national increase since 1985. Quebec experienced the highest average increase at 19.4 per cent, followed by Manitoba at 13.9 and Ontario at 11.9 per cent.

"The market is currently being driven by existing producers interested in expanding their current land base," says Michael Hoffort, FCC Senior Vice-President of Portfolio and Credit Risk.

Many land transactions result in aggressive bidding as producers seek incremental additions to established operations, looking for economies of scale and the ability to use newer technology to farm larger areas.

Current values also reflect the expectations of future crop receipts.

"Strong crop receipts create a favourable environment for higher farmland values," says FCC Chief Agricultural Economist, J.P. Gervais.

Increasing land values may make it more difficult for young producers in particular to expand or enter the business. Alternatives include leasing land to complement the business model.

In 2011, most agricultural land in Canada was owned by those who operate it, at 61.5 per cent. "Low interest rates make it easier for producers to consider expanding their farm operations," Gervais explains. However, he cautions buyers to make sure their budgets have room to flex should commodity prices fall or interest rates rise.

According to Hoffort, net farm income – especially in the grain and oilseed sector – has increased at roughly the same pace as farm debt.

"The outlook for Canadian agriculture is really positive," Gervais adds.

Results in the report are based on an established system of benchmark farm properties across Canada. Appraisers estimate market value using recent comparable sales then review, analyze and adjust them to the benchmark properties.

This report is one way to measure farmland values, and although it's considered a key decision-making tool for producers, it provides only one piece of the puzzle. Owners, renters, buyers and sellers of agricultural land should be aware that there can be significant differences across geographical locations that must be taken into account, and that price is only one factor to consider. Others include location, timing, financial situation and personal goals. Additional research is advised.

**VIDEO:** To see a video about the report, visit **www.fcc.ca/farmlandvaluesvideo**
Previous reports are available at **www.farmlandvalues.ca**

**Spring 2013**

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