MAY / JUNE 2014

AgriSuccess

DELTA VIEW CEO BOOMERANGS BACK TO FARMING

WHY HE HIGHLY RECOMMENDS THE RIDE

3 STEPS TO A GOAL-ORIENTED SELLING PLAN

HOW – AND WHY – TO BRAND YOUR FARM

FARMLAND FCC VALUES REPORT

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Eric Schlacht partnered with his father to buy an 18-acre, high-tech greenhouse, Delta View Farms of Delta, B.C. (Page 4)

Editor, Kevin Hursh
Associate editor, Allison Finnamore

Original photography by GregHuszarPhotography.com

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Grain prices have dropped substantially, while profit potential is the best it has been in a long time for beef and pork producers. At the risk of sounding pompous, I have to boast that we told you so.

If you check back in the September/October edition of AgriSuccess (if you don't still have the magazine, you can read the edition online), you'll find an article called Predicting the Unpredictable Agriculture Economy. In it, John DePutter and I took a stab at future-gazing.

DePutter, an agricultural analyst based in London, Ont., was cautious about the medium-term outlook for grain prices, pointing out that while we may be in a new, higher-trading range for crop prices, this doesn't mean new price records would continue to be set.

"I think farmers best be prepared for some years of narrow margins and cost-price squeeze challenges, even within the context of generally higher grain prices," DePutter said.

This was well before the major decline in grain prices and the logistical issues associated with the massive 2013 crop in Western Canada.

The article also talked about how the great returns enjoyed in recent years by the grain sector had largely bypassed the country's red meat industries. DePutter predicted a turnaround.

"There is definitely a future in livestock production," he said. "I still think it could be a better sector to be in than cash-crop farming in the next few years. And there might even be a period of extreme profits. Historically, this is usually the case in the big cyclic picture of agriculture."

On the other hand, DePutter and I fretted over the levels of American and European debt and what this might mean for the world economy. Since last fall, those debt issues have not been in the news nearly as much.

The article ended with, "Expect the unexpected. The economy always takes twists and turns no one can anticipate."

The significant depreciation of the Canadian dollar wasn't anticipated by most analysts, but it's a positive for the export-oriented sectors of the industry – both grain and livestock.

We always appreciate your feedback and story ideas. Email kevin@hursh.ca or tweet @kevinhursh1.

This FCC publication is dedicated to helping producers advance their management practices. Here, you'll find practical information, real-life examples and innovative ideas for your operation.

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

CONTRIBUTORS

MARK CARDWELL / *Mark is a freelance journalist and regular correspondent for a dozen publications around the world. He lives in the Quebec City region.* **markcardwell.ca**

TRISH HENDERSON / *Trish is a freelance writer and farm business consultant based in Central Alberta. She is also a beef producer.*

TAMARA LEIGH / *Tamara is a B.C.-based communications consultant and writer passionate about giving voice to farmers across the country.*

HUGH MAYNARD / *Based in Ormstown, Que., Hugh is a seasoned journalist and broadcaster specializing in agricultural communications.*

LORNE MCCLINTON / *A writer, journalist and photographer, Lorne divides his time between his office in Quebec and his Saskatchewan grain farm.*

Focus on your sales plan goals

BY LORNE MCCLINTON

Producers should always keep in mind how much money their operation needs to meet business objectives, according to Victor Aideyan, President of HISGRAIIN Commodities in London, Ont.

3 main steps in selling plan design

1. Know your cost of production (COP)
2. Understand price seasonality in your business
3. Set target prices and net revenue goal

If you know your farm needs to generate $50,000 in profits after expenses, you can determine what prices you need for your crops to meet your objectives. At the very least, it will give you the minimum income target.

“The first step, knowing your COP, is critical because it determines how high a bar you have to jump to begin making a profit,” Aideyan says. “Let’s say I’m comfortable that I can grow 35-bushel-per-acre canola in a worst-case scenario. With that yield, I’ll need $8 per bushel to cover my COP. If I can currently contract my canola for $11 a bushel, I know I can lock in a $3-a-bushel profit.”

“Now, if I multiply my 35 bushels an acre by 500 acres, I’ll have 17,500 bushels,” Aideyan says, pointing out that when that’s multiplied by the $3-a-bushel profit, it adds up to $52,500 profit on the canola crop.

Aideyan recommends following the same procedure to determine the COP, at today’s prices, for all your crops and start watching the markets. When you see that the price is above your COP, you can pull the trigger knowing you are selling at a profit.

Your goal is to lock in enough cash flow at your minimum yield and price combination to meet your predetermined objectives, Aideyan adds. If you can do even better, it will push you further along towards reaching your goals.

Goals matter

"Would you tell me, please, which way I ought to go from here?" asked Alice.

"That depends a good deal on where you want to get to," said the Cat.

Lewis Carroll, *Alice's Adventures in Wonderland*

Lewis Carroll likely never thought he was giving sound business advice when he wrote his famous conversation between Alice and the Cheshire Cat in his 19th-Century children's novel. However, Aideyan says the well-known quote offers timeless advice on the importance of setting goals.

"The first step to getting anywhere is knowing where you're trying to go," Aideyan says. "That's why establishing medium and long-term objectives that are meaningful to you is the foundation of financial planning."

Individual goals vary from farmer to farmer and often change throughout a career. A farmer just getting into the business might have a goal to double the size of his operation; for others it might be to set aside enough money to comfortably retire.

When you set objectives, it's important to be specific. And be sure to attach a price. Just saying you want to sell at the top of the market isn't good enough; it only leads to uncertainty.

Know your number, Aideyan says. If you don't have a specific figure, envision what it should look like in your bottom-line cash flow. At the very least, think about what you want to do with the income and work backwards.

DON'T BET THE FARM

Everyone dreams of selling at the top of the market, but few actually do. Even then, it's usually good luck rather than good management. For Aideyan, it's important not to be so consumed by the idea that you take unnecessary risks.

Rather, tie your profits into your larger goals. If you don't, you can continue to drive for ever-increasing prices even though this no longer has any real meaning for your objective.

"Achieving higher prices can become an end in itself," Aideyan says. "I make $400,000, but if it goes higher I could make $420,000. Wow, that sounds great." But you have to ask yourself why you're risking 400 for an extra 20. What will that extra actually do?

"If you tie your profits to your goals, it allows you to stop and say, 'Wait a minute, it's $400,000. That's way above the $80,000 a year I need to contribute to my retirement fund,'" Aideyan says.

VIDEO:
Ask an Expert:
Creating a Marketing Plan
fcc.ca/marketingplan

Solid strategy underpins greenhouse growth

BY TAMARA LEIGH

For many young people, leaving the family farm can be a one-way trip. Others, though, feel a strong pull back to agriculture – as was the case for Eric Schlacht, CEO of Delta View Farms in Delta, B.C.

Three years ago, the 29-year-old greenhouse grower and entrepreneur was a Relationship Manager for Farm Credit Canada in Alberta. Raised in the family greenhouse business in Langley, Schlacht had moved to Kelowna to complete his management degree at UBC Okanagan when he took a position with FCC.

"I really enjoyed working at FCC, but there was something about being around other farmers and agriculture business entrepreneurs that made me want to get back to being a primary producer," Schlacht says.

It's a big step from working in farm finance to managing a team of 100 employees and an 18-acre, high-tech greenhouse. But when Schlacht and his father Herb had the opportunity to buy the business from a couple retiring from the industry, they jumped at the chance. While his father, a 25-year veteran greenhouse grower, helped secure the deal, the younger Schlacht has been at the helm of the new enterprise since day one.

"With the cost of the land, equipment and greenhouses, it wouldn't have been possible without [my family's] help securing financing," Schlacht says. "My wife was also a huge support. She was raised on a grain and cattle farm in Saskatchewan, and understands what it takes to farm."

Set up for success

Schlacht also credits the care and effort of the previous owners for making his transition successful.

"They were absolutely amazing. They took me into their operation and showed me everything about it for the six months leading up to the deal, and then stayed on for four months to teach me the systems," he recalls.

With a good team and strong support behind the business and operations, the biggest challenge was learning to manage people. Schlacht inherited a unionized workforce of 100 people, many of them from different countries and cultural backgrounds. It was something he hadn't faced before.

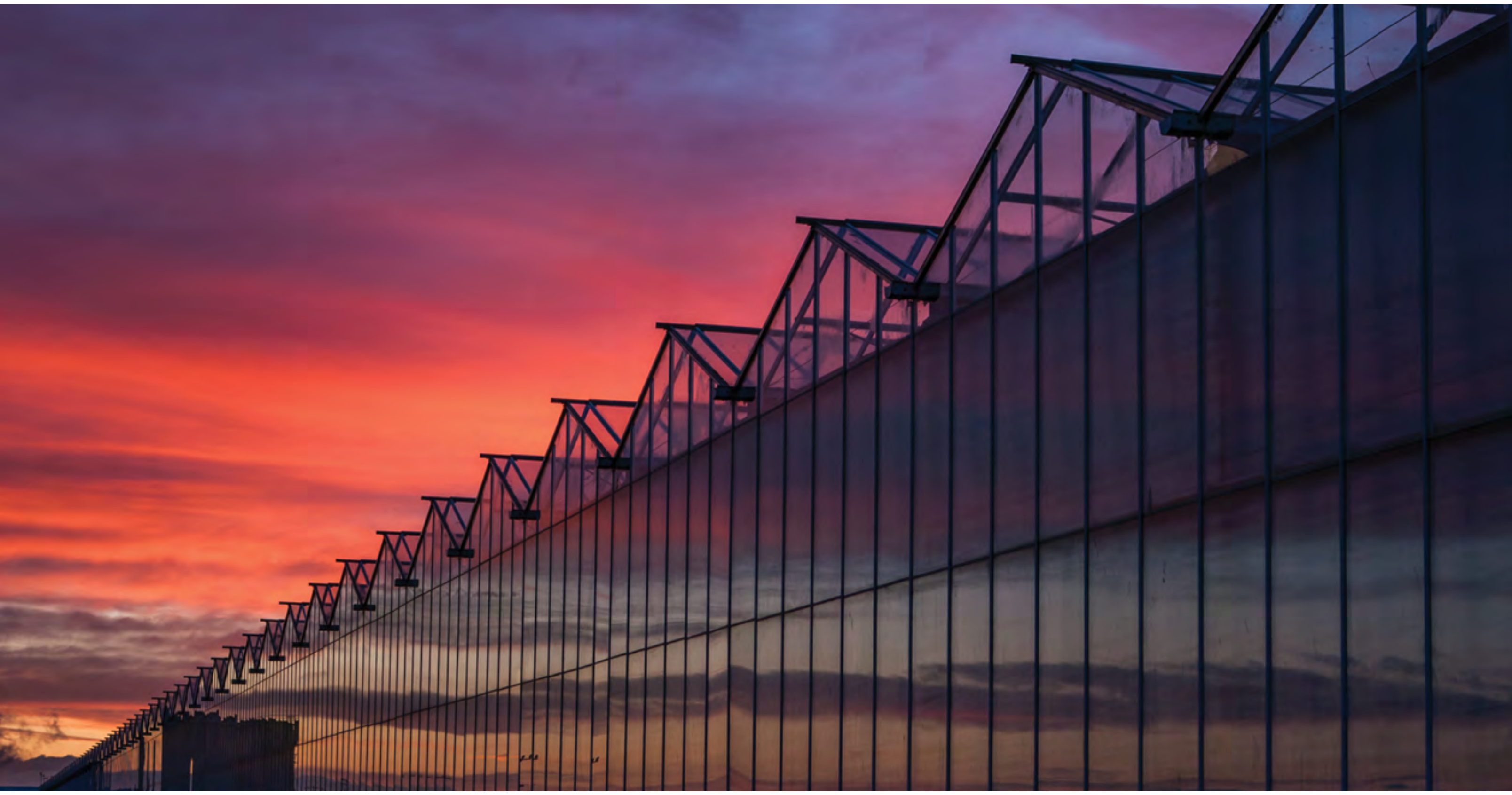
"My strengths are analysis and numbers, but I needed to learn how to get my management group and employees to see my vision and run with it," he says. "You can come up with the best plan you want, but you have to be able to lead people to implement that plan."

Lessons from the downturn

Despite the transition work, planning and preparation, the business hit a major hurdle in its first year as prices fell to 15-year lows. Backed by a strong operational team, they hit their yield targets and kept costs well within budget, but they still couldn't make up the difference.

"It forced me to work harder and really get to know the business – areas we could save money, improve our efficiencies, where we could do a bit better," he says. "Agriculture has ups and downs. There are years you can do everything right and still lose money. It definitely helped me learn how to make tough decisions and problem-solve without having to spend money."

Since taking over, Schlacht has stayed the course on many of the growing elements. They continue to



"The bulk commodity crops pay the bills, but we need to keep growing specialty products where we can distinguish ourselves from competitors."

produce industry standard varieties like beefsteak and Roma tomatoes, plus a combination of heirloom varieties of different sizes, shapes and colours.

"We do about 25 per cent of our operation in specialty tomatoes," Schlacht explains. "The bulk commodity crops pay the bills, but we need to keep growing specialty products where we can distinguish ourselves from competitors – things we can do better than larger-scale operations."

Core business comes first

Delta View Farms is a grower partner with Windset Farms, a designated marketing agency with the B.C. Vegetable Marketing Commission. The partnership lets Schlacht and his team stay focused on growing tomatoes without having to worry about finding markets and customers.

Prices recovered last year, and the second season brought greater returns and significantly less stress. Now starting his third season, Schlacht is excited for the future. This year, his wife Erin plans to join the business as manager of employee relations and special projects. From there, the plan is to start building out the physical space, adding another 22 acres of greenhouses.

"I want to grow our business here and look for new opportunities and new ways of doing things," he says. "I'm proud of the fact we are a family-run farm. Seeing the hard work that my parents put in motivates me, not only to maintain it, but to work on it and grow so the generation after me has more opportunities to farm in the future."

When it's time for the next generation to leave the nest, you can bet Schlacht will encourage it.

"I think it's so important that young farmers leave the farm, because it helps you grow as a person and see things from a new perspective," Schlacht says. "You need to know how to farm and grow tomatoes, but you also need to know how to manage people and processes. Farming is already a complex, global business. Education is critical."


2:30 PM
FM PRO Mobile
Champs PRO Mobile
Crop name/Culture : Canola
Variety/Variété : RoundUp Ready
Area Seeded (ac)/Superficie ensemencée (ac) : 122.00/122,00
Yield Units/Unités de rendement : bu
Expected price (/unit)/Prix prévu (/unité) : 8.00/8,00

Diesel engines now cleaner

BY KEVIN HURSH

If you bought new diesel-powered farm equipment in the past year or two, or if you're planning to buy any new equipment, you should be aware that Tier 4 emissions standards are having an impact on how the equipment operates.

The last few years have seen dramatic decreases in the allowable emissions from new non-road diesel engines. The strict Interim Tier 4 regulations are now being replaced by even stricter Final Tier 4 regulations. Both nitrous oxide and particulate matter in diesel exhaust are being cut by an amazing 90 per cent.

You can run new diesel engines in an enclosed shed or shop and hardly notice the exhaust fumes. Implementing that change has required a great deal of research and engineering.

To meet Interim Tier 4 requirements, the major manufacturers employed one of two approaches.

Manufacturers such as John Deere, Caterpillar, Cummins and Perkins used exhaust gas recirculation to control nitrous oxides, plus a filter in the exhaust system to capture and later burn the particulate matter.

Manufacturers such as AGCO, Case IH and New Holland have been using selective catalytic reduction technology with higher combustion temperatures to control particulate levels in the exhaust.

With this method, a catalytic chamber outside the engine deals with the nitrous oxide.

Diesel exhaust fluid (DEF), a mixture of urea and deionized water, is injected into the chamber to convert the nitrous oxide into its less harmful constituents.

These manufacturers have DEF storage tanks on their new machines. Amounts vary, but about one litre of DEF is needed for each 25 litres of diesel burned.

DEF costs about the same as diesel fuel, but since it's more than half water, it's much more prone to freezing and gelling in cold temperatures. Heat from the engine is designed to warm the DEF in its storage tank.

If you run out of DEF, the engines are computer programmed to lose power but let you limp back to a refuelling station.

With Interim Tier 4, the manufacturers using exhaust gas recirculation and an extra exhaust filter have not employed DEF. That is changing with Final Tier 4. John Deere confirms that DEF will now be part of its system too. However, the amount of DEF required will be substantially less.

No one wants to say how much the new technology is costing producers, but meeting the stringent emissions requirements has certainly contributed to rising prices on new equipment.

On the upside, the engines are reported to be performing better than ever, and the dramatic emission reductions are great for the environment.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Payment due
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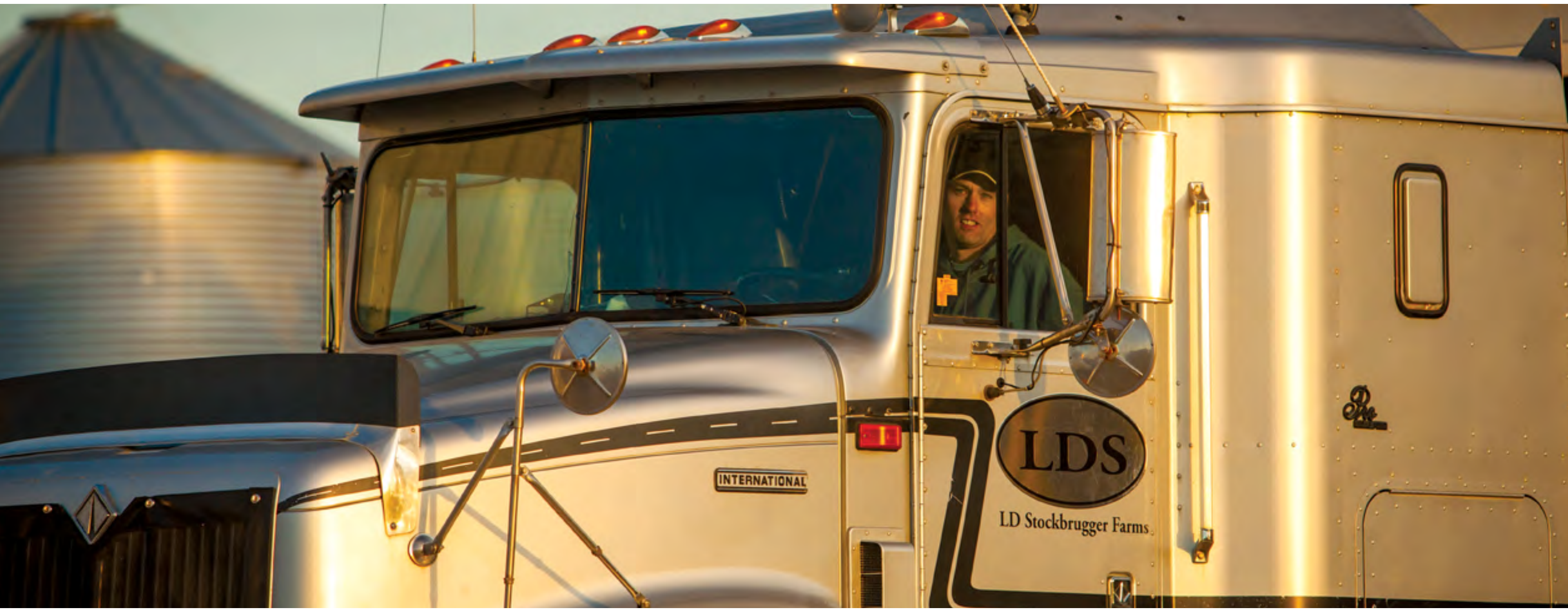


Why should you brand your farm?

BY TRISH HENDERSON

Creating a recognizable brand is an important part of marketing and is becoming increasingly important in the business of agriculture.

Brand names are nothing new to farmers. Purebred livestock producers and certified seed growers have been branding themselves for decades to drive sales. During the winter months, when cattle breeders are marketing bulls, agricultural newspapers are full of ads for individual farms – complete with logos, websites and sometimes even links to promotional videos.

Consumers are more and more interested in where their food comes from. And with social media, it doesn't matter if you're marketing farm products direct to consumers or selling commodity grain or livestock – a brand name can create connections along the entire value chain.

A focus on consumers has been fundamental to the success of Ontario Corn Fed Beef, a brand launched by the Ontario Cattle Feeders' Association in 2001.

"Farmers own the brand, and there's a story that goes along with Ontario Corn Fed Beef," says Jim Clark, the organization's Executive Director. Every summer, Clark and a team of member-producers drive the Ontario Corn Fed Beef mobile kitchen tractor-trailer unit to grocery store parking lots. This allows them face time with 500 consumers on an average day, and the opportunity to learn exactly what consumers are looking for in beef products.

With specific production standards, the Ontario Corn Fed Beef logo assures customers a consistent, high quality product. The brand's goal is to expand the market for beef raised in the province. Today it's sold on the shelves of 241 Loblaws stores across Ontario, and 5,700 animals per week are marketed through the program.

"As food producers, we need to be proactive in telling our story. We have nothing to hide – we're great family operations, great stewards of the land and we produce great food. Consumers vote with their pocketbooks, and we have to listen," he maintains.

Tangle Ridge Ranch
Pasture Perfect, Naturally.

Small-business success

On a smaller scale, Shayne and Vicky Horn of Tangle Ridge Ranch near Thorsby, Alta., have succeeded in building a brand for their Tangle Ridge Lamb. Five years ago, the couple started with 160 acres of land and 30 grass-fed lambs.

"We knew from the beginning we wanted to direct-market our product and create brand recognition," Vicky says. "So we created our Tangle Ridge logo and made sure it was on every package sold, even though we only marketed to family and friends at first."

By focusing on telling the story of their family farm, the Horns have grown the market for Tangle Ridge Lamb to individual consumers and upscale restaurants across Alberta. They now market 200 lambs per year and have partnered with two other farms to supply them with animals.

Keys to creating a strong reputation

Product labelling, their farm website, attending local culinary events, offering farm tours and social media presence have been keys to creating a strong reputation for Tangle Ridge Lamb.

"We participate in Open Farm Days and have hosted dinner events in the loft of our barn for our chefs," Horn adds. "Twitter has been our most effective brand-building tool – it has allowed us into the online foodie community and spread our name beyond our existing network. We've had strangers come up to us at food shows and ask how our dog is, because they've seen him on Twitter."

What if you're not selling your product directly to consumers?

Branding is still important.

"Our farm name and logo represent the pride we have in our operation," says Lance Stockbrugger of LD Stockbrugger Farms, a 4,000-acre cereal, oilseed and pulse operation near Leroy, Sask. He believes that creating a visible brand for LD Stockbrugger Farms has attracted new employees and brought landlords to their door offering rental opportunities.

"We display our logo on our semi-trailer trucks and give our employees logoed jackets and hats, because we want to convey the honesty and integrity of our business," Stockbrugger says. "We want our employees to feel the same pride in the operation that we do, and grain companies to know who and what to expect when our trucks pull up. Having well-maintained, clean equipment is very important to us, and we have earned a reputation for selling quality used machinery when it comes time to trade in an implement."

LDS

Blogging is another way LD Stockbrugger Farms advocates for their operation and the agriculture industry. "It started when I got my first BlackBerry and auto-steer in the air drill. My hands were free, and Mom was always asking what we were up to on the farm," Stockbrugger recalls. His first email updates were sent to family, but they proved so popular that the distribution list now spans the country, and reaches as far as Mexico and Japan.

What sets your brand apart?

Depending on the goal of your farm business, branding doesn't have to be difficult.

"First you need to identify something that makes you unique. For us, it's the fact that our parents started the tradition of all sons having the same initials: L-D-S," Stockbrugger says. "Next, it's a matter of recognizing what sets you apart from your neighbour. Are you passionate about growing the best crops, having the cleanest fields, or being the most profitable? Then, it's about building and maintaining your reputation in the community and in the industry."

"Consumers and restaurants want to reconnect with farmers and learn more about where their food comes from," says Vicky Horn. "This creates an opportunity for us to tell the stories of our farms. Doing this in an authentic, consistent and honest way builds consumer trust."

"To create a brand, you must know your target market and ensure you can deliver on your brand's promises," Jim Clark advises. "You have to know what you do best and align yourself with partners who have the expertise you don't. It's crucial to have a long-term goal and a business plan…and you need to be patient." ■

VIDEO:
Management Moment: Building a Brand for Success
fcc.ca/farmbrand

Celebrate cycles

BY KEVIN HURSH

"Cycles create opportunities. That's what makes agriculture interesting."

For grain producers, it's naturally disheartening to see the slide in grain prices over the past year, but a prominent market analyst and industry observer says there are many positives resulting from the grain market going into the downside of its cycle.

John DePutter of DePutter Publishing points out that dropping feed grain costs are a major factor in the improving profitability of livestock operations across the country.

"The livestock industry is a top customer for grain producers," says DePutter, who is based in London, Ont. "Both need to be healthy and livestock, especially beef, is finally seeing some very good returns."

DePutter sees intrinsic benefits within the grain sector, too. If grain and oilseed prices were always strong and profitable, continually rising to new peaks, what would happen to land prices and cash rental rates? How would young people ever get a start?

Reduced margins also encourage innovation and efficiency. Everyone starts to look for cost savings or new revenue sources. Marketing skills often improve. One example is identity-preserved soybeans for the human food market. More farmers have an interest in crops that can generate a price premium when returns become tight.

Many analysts have talked about a new paradigm in the grain business, how rising world demand is going to outstrip food production. While DePutter remains very optimistic about the future of agriculture, he also believes opportunities can be over-hyped.

"It's a myth that farmers can't keep up with population growth. Production and prices will both be highly variable, but given incentives, farmers can grow more than enough." When people who have nothing to do with agriculture start promoting it as the best new investment option, it's probably a sign that the market is peaking, he adds.

And there are many drivers that move agriculture commodity prices up and down, according to J.P. Gervais, FCC Chief Agricultural Economist. Emerging technologies, agricultural policies, trade disputes, and even political conflicts can all result in shifts in supply and demand.

"Given these influences, it's difficult to assume steady cycles, especially in grain and oilseed markets," Gervais says. Markets tend to move rapidly today, or can go through sustained periods of strong or depressed prices. "It's critical to be prepared to face various options."

There's an obvious relationship between current low interest rates and rising land values. Based on financial cycles of the past, interest rates won't always be so low and land prices won't always be as buoyant.

"Cycles create opportunities," DePutter says. "That's what makes agriculture interesting."

So while no one expects grain producers to embrace falling prices, there is a big picture to keep in mind.

HOW TO MAKE SENSE OF NEXT YEAR'S PRICE FORECASTS

Here's some advice to deal with all the information out there that's communicated at the speed of light in this digital age: avoid the guesswork of figuring out which forecast is likely to be "right." Instead, use the forecasts like the pros. They understand that price projections are useful, especially for planning. First, estimate possible outcomes using pricing scenarios from the different projections. Then calculate profitability using lower and higher price projections to support strategic decisions such as renting vs. buying farmland, equipment, etc.

Information overload? Not anymore.

J.P. Gervais
FCC Chief Agricultural Economist

@jpgervais

Check the Ag Economist blog posts at fcc.ca for more.

FREE APP ORGANIZES INFO INTO SEARCHABLE FILES

Evernote is a free electronic notebook that goes way beyond the spiral-bound paper version. Record text, audio and pictures from your phone, tablet or desktop computer. You can access the files from anywhere, on any connected device, and pull up all the notes you made about combine maintenance, for example, just by entering the search word "combine."

CANADA-KOREA FREE TRADE AGREEMENT

gives producers access to

50 MILLION

consumers in a country with relatively little agricultural land

Source: Foreign Affairs, Trade and Development Canada

6 ACCOUNTS WELL WORTH FOLLOWING

@AgMoreThanEver
@FarmersOfCanada
@FarmFoodCare
@FarmsNews
@RealAgriculture
@WesternProducer

And us! @FCCagriculture shares the latest FCC news plus useful ag content, from economic trends to farm management advice and more Twitter accounts worth following.

Defining sustainability

BY HUGH MAYNARD

Sustainable agriculture means something different to everyone: being green, being more energy efficient, minimizing environmental impact – the list goes on. It's estimated there are over 60 definitions of "sustainable" in use by agencies and organizations around the world.

For this article, we'll use the one from the Agricultural Institute of Canada: "The application of husbandry experience and scientific knowledge of natural processes to create agriculture and agri-food systems that are economically viable and meet society's need for safe and nutritious food and vibrant rural communities, while conserving or enhancing natural resources and the environment."

So, beyond the tangle of words, what does it mean to a farmer? Aside from personal philosophy, how do you know your farm is sustainable, and what do you need to do to show this?

Changes are coming rapidly that give a much more concrete basis to the words sustainable and sustainability, and they're being driven by the market. Buyers – and big buyers such as Unilever, responding to societal demands – are requiring that suppliers demonstrate just how sustainable their products and practices are.

Is it status quo?

Stating your farming operation is sustainable is no longer good enough, so a range of different standards, indexes and verification procedures are beginning to be implemented. This is to provide assurance that any claims of sustainability are true and verifiable.

While the organic movement has had such systems in place for 50 years or more, the emerging standards are focusing on outcome-based measurements rather than practice-based ones – it's not so much whether you use organic or synthetic fertilizers, but what impact your practices may have on the environment.

Since 2007, Pulse Canada – the national industry association that represents growers, processors and traders of pulse crops (peas, edible beans, lentils and chickpeas) – has been working on measurement

tools and data tracking so the supply chain, including farmers, can provide the information on sustainability that purchasers increasingly demand.

"It's a due diligence process for retailers to be able to show customers they're being socially responsible in their product sourcing," says Denis Tremorin, Director of Sustainability. He adds that the focus in Canada is on environmental impact given that, as a developed country, the social and economic aspects of the sustainability equation are comparatively well attended to by standards and regulations. For instance, we have minimum wage laws and laws governing child labour.

The European Union carried out an audit in 2013 of about 100 Canadian canola growers supplying the region's biofuel market. They sought to verify whether increasingly stringent import requirements were being met. All 100 growers passed, but it is a sign of the times – buyers want to know how their purchases are being produced. In this case, the 100 growers were chosen as a representative sample of the industry. In the future, individual growers may need to meet sustainability standards to access specific markets.

What do they want to know?

Tremorin says there are four priority issues in the crop sector: greenhouse gas emissions, impacts on water, impacts on biodiversity and soil health. He's not sure measuring the carbon footprint of every farm in a commodity supply chain is realistic – at least not affordably – but fertilizer use, fuel use, water use and quality, and soil erosion are definitely aspects crop farmers should be monitoring.

Then there's the livestock sector, which has to cover animal welfare and biosecurity concerns too. Dairy Farmers of Canada is embarking on "proAction Intiative," an overall national program of excellence that includes elements of milk quality and brand enhancement, in addition to resource stewardship. The program will eventually include certifications, codes of practice and, yes, some inspections.

What's in it for producers?

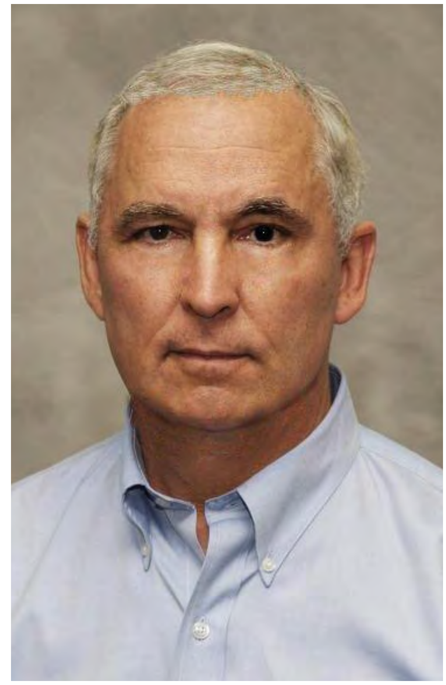
Sustainability is first and foremost about doing the right thing. But statements of good intention simply aren't enough anymore – buyers want proof, and that means keeping proper records for all aspects of the production system.

Tremorin says there needs to be some incentive for producers to buy into sustainability programs. By and large, that's going to be maintaining markets, perhaps even accessing new or premium markets as well. But he's not sure there'll be any specific price compensation from buyers.

In this context, it's important to make sure the measurement tools and data tracking are add-ons to what farmers are already doing rather than a separate exercise.

Although most Canadian producers are not yet directly affected by sustainability requirements, many observers believe it's important to anticipate what the market is likely to demand in the years ahead. Using a Gretzky hockey analogy, it's important to skate to where the puck is going to be.

How peer advisory groups can benefit producers



DR. DANNY KLINEFELTER
Dr. Klinefelter is a professor and economist with Texas AgriLife Extension and Texas A&M University. He's also co-author of eight books on management and finance, and President of his family's Illinois farm corporation.

A growing trend in business, peer advisory groups recognize the benefits of talking things over with someone in a situation similar to yours. Members meet regularly, getting advice from others and sharing their own expertise in turn.

You're a big proponent of peer advisory groups. Why?

Information is readily available these days. It's almost information overload. But how do we filter through and talk about those things that are applicable to our situation? When you start looking at something new, how do you perform the due diligence? Have you thought of everything?

I've observed that people can go to conferences and come away with a lot of ideas and then never act on them. Peer advisory groups offer encouragement, increase accountability, help overcome implementation problems, identify alternatives and not only provide good ideas, but weed out the bad ones.

Plus it's my belief that most people have no idea how they stack up against their competition. Everybody has strengths and weaknesses and you have to get to the point where you can drill down. And if you want to compare yourself, you want to do that with people who are really doing well.

So people are learning, but after that they put it on the shelf and go on farming?

There are two things: one, they're not implementing what they learned. The other is that they aren't acting in a timely enough fashion. Things come up all the time. How do we address problems right now?

A peer advisory group operates as a reciprocal advisory board. If they've got an issue, I'm part of their advisory board. There's no fiduciary liability like there is on a board of a public company. There's also no governing authority. This is just advice, but you take it pretty seriously because these are successful people who have been there, done that and have skin in the game. And you also develop a relationship with them.

I've also found that people are really competitive, in a positive way. If I'm not doing something as well as someone else, there's enough competitiveness in these people that if you shine the light on it, I'm going to get better at it.

So what do you talk about in a peer advisory group?

You can talk about production issues. That's usually the most comfortable for producers. But the groups I've seen that have the most value deal with other business issues as well, topics like technology and human resources. Maybe due diligence on entering a new business. Maybe it's succession development and planning. Or maybe it's difficulty with a supplier or customer.

I just need a place, besides my own family, that has experience and can see it from a different perspective. Even though in my family or management team there will be different opinions, we may have all been part of the operation for a long time. I need someone with a fresh set of eyes and no vested interest.

In some families, topics may be avoided because they will lead to conflict. Peer advisory groups can tell you things you need to hear, even if you don't want to hear them.

Can you provide a specific example of an immediate benefit?

I have a friend who is a dairy farmer. He has seven guys in his peer group. They examine a range of business parameters. In pharmaceutical costs, his were running $30,000 more than his colleagues. They were following the same protocols and even using the same product, but it turned out that he was paying $16 a unit and they were paying $12. It took one phone call to the supplier, and he's now getting it for $12 too.

VIDEO:
Ask an Expert: Peer Advisory Groups
fcc.ca/peergroups

There's also the possibility of needs-based training. Sharing the cost of a specialist among a peer group is very beneficial.

Do peer advisory groups work for all sorts of farms?

I think they can work for anyone who is a commercial producer. One issue is whether you are willing to devote the necessary time, because it's going to take a few days a year. It's also going to cost something. Most of these groups are professionally facilitated and networked together. The cost for a farm could be $10,000 or $12,000 a year. That may sound like a lot, but compared to other farm expenses it may not be that large. Even a slight improvement in marketing could make up the cost.

Peer groups are typically made up of five to 10 producers, and members are usually not neighbours or direct competitors. Meetings can be monthly or quarterly. It also helps to bring together people with different strengths. Openness and candor are the keys to getting the most benefit.

Manage your human resources risk

BY HUGH MAYNARD

Farms in Canada have spent a century mechanizing in order to become less labour-intensive and more productive. The process has seen half a million farms disappear, along with the thousands of itinerant labourers who once moved from farm to farm at harvest time.

While producers will continue to incorporate technology into their operations to gain efficiencies, the human resource factor is re-emerging as a major risk farm managers have to address in a big way. In the past, it was making sure there were enough strong arms around to man the pitchforks. Today, finding skilled workers who want to make agriculture their career of choice is the challenge.

The Canadian Agricultural Human Resources Council (CAHRC) estimates that primary agriculture has a need for over 50,000 non-seasonal positions, with at least a third of these requiring managerial or technical skills. The organization's surveys show that farms of all sizes need workers of all kinds, with recruitment and retention made all the more difficult in the face of well-paid competition from resource industries and the draw of big city lights.

So, if you can't match wages or offer "flex time" arrangements (the cows do like to be milked on time!), what can be done to attract and keep the type of person who can not only pick apples but also adjust computerized packing equipment?

1 Pay at least some wages to family members, and don't make them ask for it; be forthcoming. Almost three-quarters of farms continue to depend on unpaid family labour. Maybe a bit of monetary incentive would help avoid the risks of having to seek hired help from elsewhere, especially since family members are already familiar with the farm's operation and work ethic.

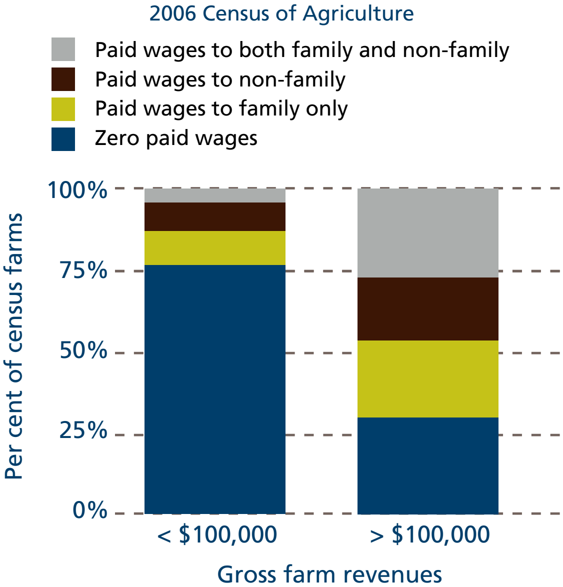
2 Find ways to create year-round employment to manage the human resources risks associated with the very unique demands of working on a farm and juggling seasonal employment needs. Off-farm contracts, off-season activities for adding value to farm produce, even sharing labour with neighbouring farms are all options. Providing some training to augment skill levels is also a way to expand off-season capabilities.

3 Get prepared. CAHRC (cahrc-ccrha.ca) has a human resources toolkit that covers everything from checklists to policies to getting the right person for the job.

Human resource management is a recent arrival on the farm manager's plate, and the best way to handle this particular risk may be to move from being just a "do-er of things" to someone who manages people who do things.

Per cent of Census Farm Reporting Paid Labour

2006 Census of Agriculture



VIDEO:
Recruiting and Retaining Farm Labour
fcc.ca/cropsphereHR

Buckle up, for safety's sake

BY MARK CARDWELL

Five miles an hour doesn't seem fast. That's about the average long-distance running speed for humans. It's also the speed at which humans begin to suffer significant injuries in low-speed collisions, especially when not wearing seatbelts.

That's something Glen Blahey thinks producers should consider every time they climb into the cab of a large piece of machinery, including the self-propelled sprayers now common on Canadian grain farms.

"No one knows what's going to happen 15 minutes from now," says Blahey, a safety and health specialist with the Canadian Agricultural Safety Association (CASA). A Winnipeg-based, federally funded group, they co-ordinate and develop national initiatives to help farmers, their families and workers recognize and manage safety risks.

While it may be difficult to convince producers to wear a seatbelt for field operations on level ground at four or five miles per hour, many high clearance sprayers travel at 15 to 20 miles per hour.

"If something unexpected happens when you're driving machinery even at low speed, you need to be restrained so you won't be thrown around in the cab and injure yourself or others."

According to a recent chiropractic study in the United States, seemingly harmless collisions at as little as two miles per hour were found to be capable of producing "damaging forces" to the head and neck.

Though CASA doesn't keep statistics about such easily preventable injuries, Blahey says the anecdotal evidence he's hearing suggests they are of concern, especially in regards to large GPS-controlled machinery with auto-steer.

"If you have a mile-long field in front of you, chances are you're using an iPhone or a computer and you're not alert and your hands are not on the wheel," Blahey says. "But if you're not wearing your seatbelt either and you suddenly hit an object that isn't plotted on your GPS, you could be seriously injured in the blink of an eye."

He points to an incident that occurred on the Prairies a few years ago when an older producer, who had cultivated the same field since he was a kid, suddenly hooked something solid underground while travelling at around seven miles per hour.

"The tractor stopped dead, and the guy was thrown forward in the cab and knocked out," Blahey says. "Help finally came, but the whole while his four-wheel tractor was in gear and continued digging until it broke a hub. He could have avoided personal injury and costly equipment repairs by wearing a seatbelt."

Seatbelt use, he adds, increases rollover survival rates by more than 80 per cent. And seatbelts can also help avoid potentially catastrophic injuries from accidents on the road where higher speeds can cause an operator to lose control.

Strong ag economy continues to drive farmland values up

Supported by low interest rates, growing world food demand and resulting strong commodity prices in the first half of the year, the average value of Canadian farmland increased 22.1 per cent in 2013, according to Farm Credit Canada's annual Farmland Values Report.

"The positive overall health of agriculture is reflected in recent land value trends," says Michael Hoffort, FCC Chief Risk Officer.

Average farmland values remained unchanged in Newfoundland and Labrador, and increased in all other provinces. Saskatchewan experienced the highest average increase at 28.5 per cent, and yet the average land price there is still less than in neighbouring provinces.

The two most important drivers of farmland values are crop receipts and interest rates, according to J.P. Gervais, FCC Chief Agricultural Economist. However, he cautions producers not to use the past few profitable years as the basis for purchasing more land.

"Recent long-term outlooks for crops suggest world stocks of grains and oilseeds will rebuild, bringing prices closer to their long-term averages," he says. "Producers need to look at their operations and ensure they can manage through a number of scenarios when it comes to revenues and expenses."

Tighter crop margins may also have an impact on the land rental market, and Gervais expects rental agreements to move over time, in the same direction as crop receipts.

"For the next several years, we expect the demand for farmland to slow down, which supports a so-called soft landing scenario," he says. "We don't anticipate farmland values to collapse, but we do expect slower increases due to potentially lower crop receipts."

In the majority of provinces, most of the increases in land values occurred during the first six months of 2013. Farmland values last decreased in 1992, when they dropped 2.1 per cent.

Per cent change in farmland values (12 months)

CANADA	B.C.	ALTA.	SASK.	MAN.	ONT.	QUE.	N.B.	N.S.	P.E.I.	N.L.
22.1	3.0	12.9	28.5	25.6	15.9	24.7	7.2	1.9	4.4	0

Source: 2013 Annual FCC Farmland Values Report

FCC Drive Away Hunger

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Call 1-855-427-6207 or visit FCCDriveAwayHunger.ca.

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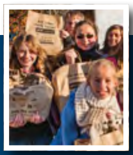

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