

AgriSuccess

GREAT SUCCESS FROM A HUMBLE START

VÉRONIQUE BOUCHARD
AND FRANÇOIS HANDFIELD

INCREASE PROFITS
WITHOUT INCREASING
FARM SIZE

WHY DIFFERENTIATION
ADDS VALUE



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Original photography by GregHuszarPhotography.com

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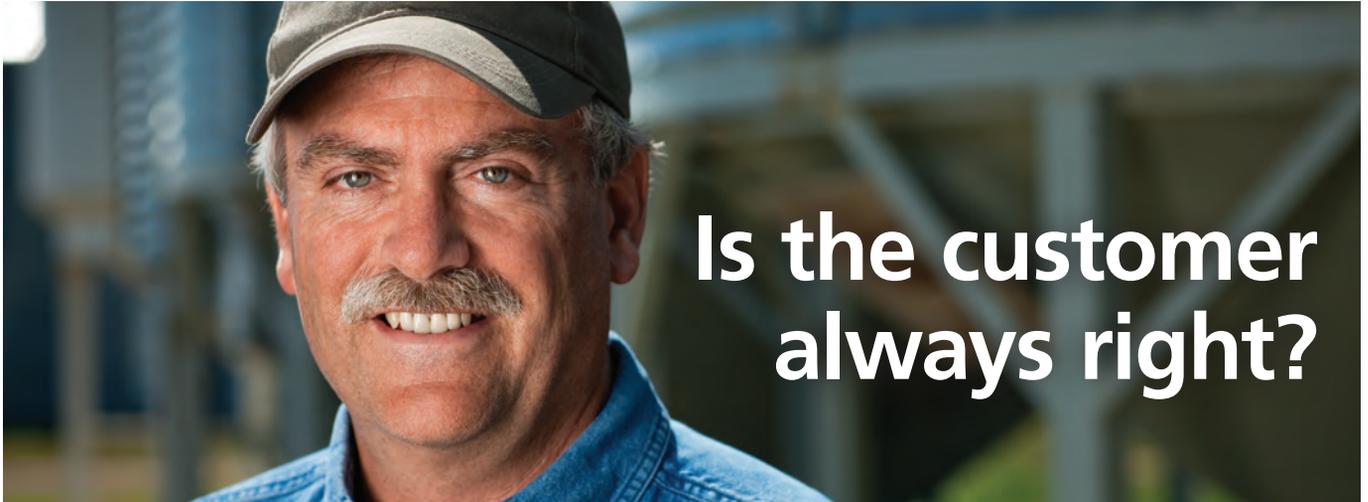
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Is the customer always right?

I'm often upset over food product claims. For instance, irrational paranoia over gluten has companies labelling bacon and fruit juices as "gluten-free," as if they would have ever contained gluten in the first place.

And the A&W campaign promoting its beef as having been raised "without the use of hormones or steroids" makes it seem that other beef somehow can't taste as good or be as healthy. The A&W campaign doesn't explain that their full Canadian supply chain isn't established yet, so a lot of the company's beef has to be imported.

Trish Henderson has an excellent story in this edition on food differentiation – everything from organic to local to GMO-free. For me, the good news is that more consumers than ever before care about their health and what they eat. The bad news is that many consumers are often misled and poorly informed.

We've probably all been at farm meetings where someone stands up and says that we need to educate consumers about where their food comes from and how it's produced. After all, as farmers we wouldn't be producing anything we wouldn't feed to our own families.

Of course, even among producers there are differences of opinion. Some believe in organic, while many others don't. Some fear GM crops, even though most of us would argue that those claims have no factual basis.

While educating the consumer is a noble goal, there are many different versions of the truth and facts often take a backseat to emotion.

Yes, it's important to continue the dialogue and use science as the basis for decision-making. But science doesn't always win the day.

Even though most farmers don't sell directly to consumers, customer preference is dictating the demand and the price for our products. We may lament what we view as consumer misinformation, but the customer is always right.

Informing consumers is valuable work, and collaboration is a much better value proposition than confrontation.

We welcome your feedback and story ideas. Email: kevin@hursh.ca. Twitter: [@kevinhursh1](https://twitter.com/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.

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How to pay yourself

BY LORNE McCLINTON

Structuring farms as corporations offers lots of tax advantages. Since most farms qualify for the federal small business tax credit, the federal rate is only 11 per cent. The maximum provincial corporate tax rates vary from 11 per cent in British Columbia to 16 per cent in Nova Scotia and P.E.I. This is a fraction of most farmers' personal tax rates. It's no wonder many farmers try to keep as much of their economic activity as they can inside a corporation. However, sooner or later everyone has to withdraw money for personal use.

There are several ways you can do this, says Kelvin Shultz with Wheatland Accounting in Fillmore, Sask. The two most common are wages and corporate dividends. Both come with advantages and disadvantages.

Any land or tax-paid assets you roll into the company at time of incorporation qualify as a shareholder loan – which isn't classed as income when repaid.

“Taking money out of your corporation as wages allows you to build up RSP (retirement savings plan) room at a rate of 18 per cent of your gross salary,” Shultz says. “It also allows you to pay into Canada Pension Plan.”

A less obvious but significant advantage is that the corporation calculates the tax you owe and submits it to Canada Revenue Agency (CRA) on your behalf.

This is an advantage, because if you take money out of the company in any other fashion, you have to

calculate and submit your personal taxes, and accounting fees are paid personally.

Up until a year ago, producers who took money as dividends instead of wages paid about two per cent less tax, Shultz says. However, due to recent tax rate changes, that's no longer the case. While every province's rates are still a bit different, there's now so little variance it hardly matters which method you choose. The only reason you would choose one over the other comes down to whether you want to pay into CPP and build RSP room through wages.

Manage your dividends

Dividends can be used to transfer money out of the corporation to any eligible shareholders, Shultz says. However, you have to remember that every shareholder who has the same class of share must be paid the same dividend per share.

“Most producers structure their corporations so that each spouse, child or other shareholder is issued a different class of shares,” Shultz says. “One will receive Class A shares, another will receive Class B shares and so on. Each share type might have exactly the same attributes, but having different share classes allows you to pay dividends to everyone at different rates.”

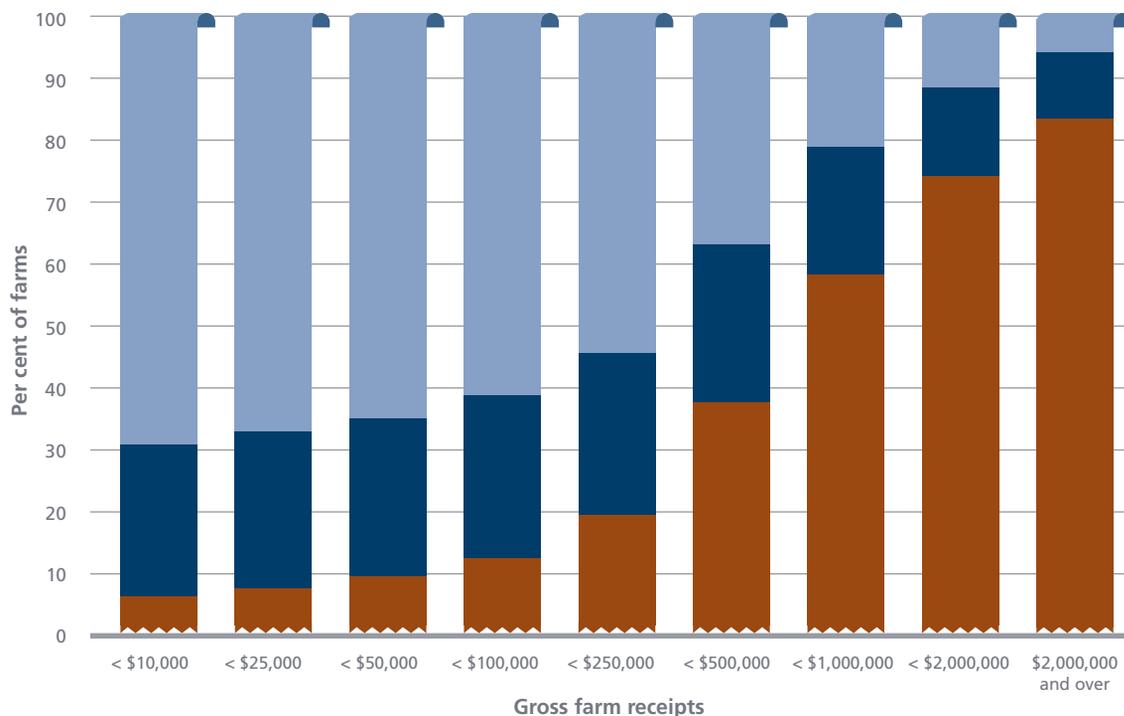
Corporations do pay a higher tax rate on certain types of income, Shultz cautions. So if your corporation receives dividends or capital gains income, you will almost certainly want to take money out of your company through dividends instead of wages.

These types of income go into something called a refundable dividend tax-on-hand account, better known by its acronym RDTOH. If you pay a dividend while you have an RDTOH balance, about 33 per cent of it will qualify as a tax credit to the corporation. So if the corporation paid a \$10,000



How farm receipts stack up – Where do you fit?

sole proprietorships ■
partnerships and other ■
corporations ■



Source: Statistics Canada, Census of Agriculture, 2011

dividend, it would receive about a \$3,333 refund. If you are sitting on a sizeable balance in RDTOH accounts, it's likely advantageous to pay dividends rather than wages.

Options with benefits

CRA does offer farmers a few other options, Shultz says. These include rental income and a variety of benefit options, like medical plans, that are tax deductible for the corporation but don't have to be declared as personal income.

"It's quite common for producers to charge their company rent for farmland they personally own outside the corporation," Shultz says. "Of course, this becomes income to you personally and does attract GST or HST. Rental income also can be used to build up your RSP room, but it doesn't qualify for CPP."

You can also claim a tax-free mileage allowance on your vehicle. If you keep track of the kilometres you are using for business, CRA will allow a per-kilometre claim on that vehicle the corporation can deduct and you don't need to include in personal income.

Any land or tax-paid asset rolled into the company at time of incorporation also qualifies as a shareholder loan. The company can pay this value back any time without it being classified as income.

Producers shouldn't take money out of the corporation by charging a management fee, Shultz cautions. CRA now frowns on this once-common practice. Its position is that management fees should be considered wages, and the corporation should have withheld and submitted the taxes and statutory deductions owed on it at the time of payment. ■



LEARN MORE
Should you add land to a corporation? Ask an Expert, page 17.

Great success from a humble start

BY HUGH MAYNARD



A key innovation at *Ferme aux petits oignons*: giving customers choices in their CSA baskets

It's not easy to get started as a young farmer, even when your family owns a farm. It's a rarer feat to become established when you have to start from scratch.

But that's what Véronique Bouchard and François Handfield have done in establishing *Ferme aux petits oignons* near Mont-Tremblant, Que. Starting from scratch is not an exaggeration given that the six hectares they purchased from a retiring dairy farmer was a hay field without any buildings.

Today, eight years after they first leased the patch of farmland just outside one of Quebec's iconic tourist destinations, they are certified organic and producing 60 different types of vegetables, herbs, fruits and flowers in the field as well as in greenhouses. They sell directly from the farm, and supply 400-plus community-supported agriculture (CSA) baskets and two farmers markets weekly with more than 160,000 pounds of produce.

Their 2014 gross revenue topped \$500,000 and they have eight full-time employees, hiring another three or more on a seasonal basis. They're set for the next phase of development with a new two-story cold storage building completed in fall 2014. It also

houses a garage, machinery shed and apartment for employees so they can keep their success story moving in the right direction.

Every farm has its unique story, and even though Handfield describes their becoming established in farming as a mix of circumstance (finishing school with student debt didn't give them much room to maneuver for financing) and opportunity (a retiring farmer ready to part with the farm), he and Bouchard have identified six factors key in their starting-from-scratch success.

Management takeaways for every farm

1 | Training

Both have science degrees – Handfield in bio-resource engineering and Bouchard in agronomy. As well, Bouchard earned a masters in environmental science. “University gave us the theory, and continuing education has given us the technical expertise and practical experience, including learning from other farmers,” Handfield says, emphasizing the importance of training as a life-long pursuit as much for themselves as for the farm's employees.

2 | Entrepreneurship

“Even if it's easier because it's in your character, it's still something you need to develop. You need to acquire the intuition for entrepreneurship,” Bouchard says, adding that entrepreneurship is something they try to transmit to their employees as well. She notes entrepreneurship is not just about being bold and daring, but also about working with the numbers to be able to take calculated risks and have a long-term outlook for planning and projects.



There's no success in any farming operation – whether with employees, parents or customers – without a passion for agriculture.



Left: Greenhouses extend the growing season on crops like beans. **Right:** Harvesting cabbage, just one of the 60 varieties of vegetables, herbs, fruits and flowers grown on the six-hectare farm.

3 | Capable management

Just having an accountant is not enough, according to Bouchard: a farmer has to understand all the ins and outs of the operation to assess professional advice, whether it's for accounting, taxes or the best choice of legal status for the farm operation. "When you put time into your management system, you get lots out," she says. Handfield developed spreadsheets to help manage the complex task of organizing rotations, harvesting schedules and produce allocations for an organic farm with hundreds of customers.

In a role reversal from most operations, Handfield's parents left their restaurant in Mont-Tremblant to work on the farm. Ghislaine and Léopold brought 31 years of experience managing a small business in the food industry, which has helped with everything from bookkeeping to construction planning. Still, the farm used commonly accessible financing strategies, starting with \$500 and re-investing profits every year.

4 | Innovation

To an outsider, the farm model that the couple chose – intensive management of a small acreage with high-value sales directly to consumers – may seem novel, and Handfield sees innovation even beyond that. "It wasn't just that we offered CSA baskets. Our key innovation was that we gave purchasers a choice," he says. This helped them keep their customers, overcoming one of the common challenges of CSA baskets: buyers getting what's available, not what they want. The farm's website lists the different types of

produce available during each season so consumers can see what's ahead on the menu, from lettuce and green beans to potatoes and parsley.

5 | Perseverance

Naturally, no farm has succeeded without the determination to overcome obstacles. Bouchard notes it took a year of working with regulators to separate the six hectares they planned to buy from the neighbouring dairy farm. The answer could just as easily have been no, perhaps from concern that small lots of farmland can become unviable. *Ferme aux petits oignons* was the first to succeed in this regard, and has proven the request to be well-justified.

They also persevered to successfully overcome the challenges presented by distributing produce baskets in towns.

6 | Passion

The term has almost become a cliché among farm families, and Bouchard and Handfield don't mince words on the need for it. They describe their sector as one that demands performance, even in their difficult climate. "It's a clientele that wants the best quality at the lowest price," Handfield says. "It's tough work."

There's no success in any farming operation – whether with employees, parents or customers – without a passion for agriculture. A passion that's obvious in both Bouchard and Handfield. ■



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Beef sector enjoys perfect storm of positives

BY KEVIN HURSH

Last year's remarkable increase in beef cattle prices is no short-term blip. Prices are expected to remain strong for the foreseeable future, with wide-ranging ramifications both within and beyond the beef sector.

Producers selling 500- to 600-pound calves into last fall's calf run enjoyed prices more than \$600 an animal higher than the year before. Prices for all classes of cattle have eclipsed previous records. The dairy industry is also benefiting, with dairy calves and cull cows at uncharted high prices.

Consumer demand was expected to fade as beef prices ratcheted higher, but that hasn't happened.

"It's the biggest surprise to all of us in the beef industry, and it's a good surprise," says Sandy Russell of Spring Creek Land & Cattle Consulting, from the home ranch near Outlook, Sask. She notes the good times have been a long time coming, but now there's every reason to believe prices will remain at higher levels for the next few years.

The North American beef herd has dropped to its lowest numbers in decades and despite the amazing profitability in the cow-calf sector, herd expansion has barely started. When herds do start building, the retention of breeding stock will further reduce the number of animals going to slaughter. With the long production cycle of cattle, an increase in beef supply is years away.

Because there's minimal evidence of herd expansion, Russell doesn't foresee a major impact on the prices paid for grazing and pasture land. However, she notes custom grazing rates are likely to rise. As well, there will be money to invest in improved genetics.

Machinery sales are also being affected. While sales of articulated four-wheel-drive tractors and new combines sag due to lower prices for the main grains and oilseeds, sales of balers and medium-sized tractors are brisk.

Russell hopes producers don't become complacent in their cost control. Investments should be strategic and part

of a long-term plan. As well, high prices can mean price volatility. As always, good risk management will still be required, especially for feedlots. It should be noted that strong beef prices don't assure feedlot profitability, since feedlots have to purchase both calves and feed grain.

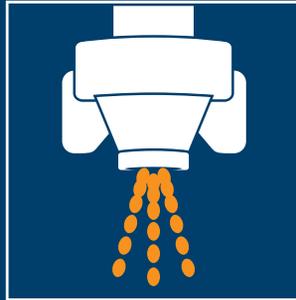
Cow-calf producers in the Prairie provinces may want to evaluate the price insurance now available and how that might fit into their plan for this year's calf crop.

Russell and other analysts believe the eventual expansion will come mainly from existing producers scaling up, rather than producers switching into beef. She also notes that some producers will view current market strength as a chance to exit the business.

For the next generation, taking over the family cattle operation is suddenly far more attractive. ■



Good times have been a long time coming, but now there's every reason to believe prices will remain at higher levels for the next few years.



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Increase profits without increasing farm size

BY KEVIN HURSH

Over the winter, I've addressed the above titled topic at a number of FCC Ag Knowledge Exchange events across the country. Two other presenters, Lance Stockbrugger and Brent VanKoughnet, have done the same.

Before the speaking circuit began, the three of us had a long discussion to exchange ideas. We're all farmers, but each of us has a somewhat different approach to increasing profits without increasing farm size.

“It may be that the most powerful tool you have... is your ability to build strong business relationships.”

Learning from others

Stockbrugger, who farms with his brother a couple of hours east of Saskatoon, has often been featured and quoted in the pages of AgriSuccess. In addition to being a farmer, Stockbrugger worked as a chartered accountant over a 17-year career while his farm was becoming established.

“I met with hundreds of clients over the years talking to them about what worked in their operation and trying to learn from their knowledge and experiences, and then taking that back and trying to adapt it to our farm – trying new and innovative ideas that may have been tried by other farmers,” Stockbrugger says.

From modest beginnings in 1994, LDS Farms has grown to nearly 4,000 acres. With two families involved, that's not large by Saskatchewan standards. However, Stockbrugger values profitability more than scale.

“We don't feel we need to grow much larger than we are right now. We feel we're profitable and successful at the size we're at.”

Cropping choices

While LDS Farms grows primarily the conventional crops for their area – canola, wheat, barley and some canaryseed – my approach on our farm in southwestern Saskatchewan has been to grow crops that offer the potential for higher per-acre returns. These are crops that other producers may tend to avoid for various reasons.

Kabuli chickpeas have been one of the mainstays on Hursh Farms, but the crop is disease-prone and long-season. With high input costs, additional risk



and more limited marketing opportunities, the number of growers has remained relatively small. However, in good years, the net return has surpassed that of other crops.

In 2014, we had significant acreage of maple peas, a specialty type of field pea. Pricing was attractive, but the crop is prone to lodging. Extra time and patience was required at harvest time, something that may have been a problem for producers with large acreages to combine.

Interestingly, LDS Farms and Hursh Farms have different approaches for transporting crops to market. The crops I grow commonly move to processing plants hundreds of kilometres from the farm. I have neither the time nor the inclination to do my own trucking. For me, custom trucking is the best option.

For LDS Farms, crops are delivered within a much tighter radius. “We recently purchased a set of Super-Bs, so we’re in a position to do it in the most efficient way possible,” Stockbrugger explains. “I wanted to be at the elevator when there’s a grade or dockage issue so that I can deal with it right away and not a week later when I get my cheque.”

Find your own approach

The other presenter on the topic of increasing profits without increasing farm size was Brent VanKoughnet, a well-known agricultural consultant from Manitoba. VanKoughnet has a 700-acre grain farm near the community of Carman. High land prices have dissuaded him from expanding, so he has looked to other approaches to add value.

“In my case, I had some really interesting professional experience through my career and I leveraged that into using our family farm as kind of a research farm to sell research data back to industry connections that I know. That hasn’t been a simple path and I think it’s pretty unique to what I’m able to do.”

VanKoughnet notes that everyone has to find their own path and it may end up being just as unconventional as his. He also emphasizes the importance of working with others.

“It may be that the most powerful tool you have as a smaller player trying to operate in a bigger farm world is your ability to build strong business relationships. As a small player, virtually every angle of doing something different requires trust and loyalty and the ability to work through these unique circumstances.”

During the Ag Knowledge Exchange events, many producers have shared their formulas for success, ranging from organic production to a sideline enterprise of selling high quality hay in small packages to pet food stores.

Even if you don’t change what you’re producing, small improvements in production, marketing and cost control can add up to a huge difference in a farm’s profitability.

In recent years, it has become more difficult and expensive to acquire both land and production quota. That’s clearly fuelling more emphasis on increasing returns from an existing production base. ■



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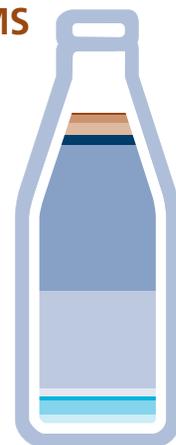
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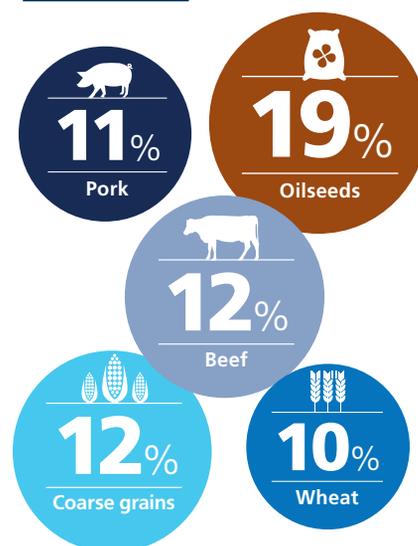
NUMBER OF DAIRY FARMS IN 2014

| | |
|--------|--------|
| NL | 32 |
| PE | 180 |
| NS | 229 |
| NB | 206 |
| QC | 5,894 |
| ON | 3,926 |
| MB | 308 |
| SK | 166 |
| AB | 566 |
| BC | 455 |
| Canada | 11,962 |



Source: DairyInfo.gc.ca

The report **FCC Ag Economics: A 2014 Look at Global Trade** suggests 2014 to 2023 global consumption will grow:



Read the full report at fcc.ca/GlobalTrade.



INTERNATIONAL YEAR OF SOILS

According to the UN Food and Agriculture Organization (FAO), 33 per cent of global soils are being degraded right now – and it can take up to 1,000 years for one centimetre of new soil to form.

At least a quarter of the world’s biodiversity lives underground, where organisms such as earthworms, bacteria and roots help plants by improving nutrient intake. FAO focused 2015, International Year of Soils, on encouraging better soil management on farms around the globe.

They’re doing more than 120 soil-related projects. Among the priorities is to update, standardize and make accessible the world’s knowledge of soil types and distribution.

Search the term “FAO world soil map” for a visual depiction of global soil resources.



CAUSES OF SOIL DEGRADATION

- erosion
- compaction
- soil sealing
- salinization
- organic matter and nutrient depletion
- acidification
- pollution
- unsustainable land management practices



J.P. GERVAIS
FCC Chief Ag Economist

Wage growth rate signals change in perspective

Farm labour costs are rising at a rapid pace, with the annual growth rate of wages in the ag sector in most provinces exceeding that of wages in the overall economy over the last five years.

Notable exceptions are Alberta and Saskatchewan, where overall labour conditions are tight and where average wages in agriculture exceed the national average.

The message is clear – farms need to consider workers as strategic assets, given their relative scarcity.

For information about market trends, visit the Ag Economist blog at fcc.ca or follow J.P. on Twitter @jjpgervais.



“**Optimism** is the faith that leads to **achievement**.”

– Helen Keller

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Why differentiation adds value

BY TRISH HENDERSON



There's room in the global marketplace for almost every type of agricultural and food product, and the trend toward differentiation is strengthening. Just walk down the aisle of any Canadian grocery store. You can see a wide variety of claims about the food on the shelves: heart-healthy Omega 9 oils, gluten-free rolled oats, antibiotic-free pork, GMO-free breakfast cereal, locally produced milk, organic produce – the list goes on.

Nestlé, one of the world's largest food and beverage companies, has animal welfare requirements for its meat, poultry, egg and dairy product suppliers.

A&W guarantees its restaurants serve beef “raised without the use of hormones or steroids,” eggs from hens fed a vegetarian diet and chicken produced without antibiotics.

After years of auditing the production practices of potato growers supplying their french fries, McDonald's will also begin sourcing “sustainably produced” beef in 2016.

For direct-to-consumer businesses looking to set themselves apart in the marketplace, it's essential to offer a product consumers want and communicate product differences along the value chain.

Understand the consumer

As incomes rise so do consumer expectations for food, according to recent reports by the Canadian Agri-Food Policy Institute (CAPI). For the middle class, food safety, affordability and convenience remain a necessity. Nutritional and ethical concerns, including how food is produced, are of growing importance.

“While price remains a key driver, the consumer is increasingly focused on other factors: is my food safe, how was it produced, is it good for me and does its production cause harm? This is all about consumer trust in what one eats and the product's perceived and actual authenticity,” CAPI writes.

What today's consumers want can challenge mainstream production methods. Just as often, though, sustainable, environmentally friendly and animal welfare-oriented practices are already in place on Canadian farms and practised by Canadian food processors.

“The consumer market is more fragmented than ever before,” says Dr. Sylvain Charlebois, professor of food distribution and policy at the University of Guelph. “But if consumers are asking for specific information on food labels, they know the industry can produce it.

“Know what your customers value, and know even better what your customers’ customers value.”



The entire food industry will need to deliver on these expectations – including farmers.”

“If we implement the right strategy, social concerns can become great opportunities for food producers,” he adds. “If consumers are increasingly concerned about sustainability and animal welfare, it’s important to make sure they know how food is produced on farms. Then the business case must be built, compelling them to pay more for that feature.”

“Know what your customers value, and know even better what your customers’ customers value. For what attributes are they willing to pay? You’re not just looking at two links in the chain then – the more of the chain you can involve in a strategy, the more powerful you will be,” advises Dr. Martin Gooch, CEO at Value Chain Management International. “The days of doggedly believing independence is best are long gone.”

Communicate product differences

If your product is different, it’s critical to communicate those differences to buyers.

Businesses at all levels of the agri-food sector are already keeping detailed records of their production practices.

Crop management software (such as Field Manager PRO) and herd or flock management systems efficiently record valuable production data, input use and health records. Suppliers of crop inputs and livestock feed must keep detailed inventory and procedural records, as do slaughter facilities, grain elevators and food processors.

The challenge is sharing this data with supply chain partners. This means more than just traceability of agricultural and food products.

“Traceability is an outcome of an effective information management system,” Gooch says. “An effective value chain communication system is one that all participants can rely on to make informed business decisions and monitor the effectiveness of those decisions.”

When all players in the food production chain – from input suppliers to retailers – have access to accurate information, everyone benefits.

“Producers have more assured markets, more consistent income, more opportunity to increase profits and a greater feeling of personal reward,” Gooch says. “Processors have more consistent supply and markets, more stable income and greater profitability. Retailers have greater ability to reduce costs and adapt to changing consumer

demands. Consumers have more consistent products and greater loyalty.”

While Gooch maintains that fully integrated value chain collaboration is the ideal means of communication between producers and consumers, there are other ways to improve.

Third-party audits can convey value, especially if there isn’t an established brand name for the product, Gooch says.

According to Charlebois, public health concerns, such as guaranteeing that food products are free of common allergens, and food authenticity – what it says on the label is what’s in the package – make the case for traceability systems and third-party audits of labelling claims.

Verify product differences

In North America alone, dozens of production protocols exist, offering producers all along the supply chain the opportunity to guarantee their product claims to consumers.

Examples of third-party audit systems include organic certification, Non-GMO Project verification, SPCA certification and gluten-free certification. Some private brands, such as President’s Choice Free From products and McCain Good Agricultural Practices, also require standards be adhered to throughout the production cycle.

“Product differentiation will be a key driver of growth for the Canadian agri-food industry in the future.”

“It’s not about self-regulation, it’s about making the industry accountable to itself and serving consumers better,” Charlebois says. “Farm level verification is inevitable. If we’re not imposing it on ourselves, someone else (a trading partner such as the E.U. or South Korea) will.”

“The success of a third-party verification system depends on its relevance with consumers. What value does the protocol create in the mind of the consumer?” adds Gooch.

Of course, one size doesn’t fit all.

“Differentiation and market segmentation are important, but product attributes aren’t the only basis for differentiation,” says Dr. Al Mussell, senior research associate at Agri-Food Economics Systems in Kitchener, Ont. “For example, a supplier with large volumes of product has a competitive advantage when a buyer seeks large quantities.”

“We must have an efficient means of communicating compliance and verification,” Mussell adds, acknowledging producer fears of having to keep separate audit records for each of their customers.

Integrated Traceability Solutions (ITS) Global, an international company with Canadian operations headquartered in Alberta, is seeking to calm those fears.

As a provider of traceability systems and livestock management software, ITS Global is already authorized to audit livestock age and source claims in the U.S. Now, they’re launching a customizable verification system for agricultural products.

Yancy Crosier, international sales manager for ITS Global, says the system is a one-stop production management record-keeper for farmers, processors and retailers. A third-party audit service is also available. The system will act as a communication mechanism along the supply chain, allowing data to be securely exchanged with experts such as agronomists, nutritionists and veterinarians.

Regardless of whether sales are into commodity or niche markets, it’s important for farmers, input providers and processors to understand their customers and work together if they’re to meet consumer needs.

“Product differentiation will be a key driver of growth for the Canadian agri-food industry in the future,” Charlebois says.

Keeping an eye on product differentiation and process verification offers another way to maintain consumer trust in Canada’s high-quality safe food and agricultural products. ■

Agri-food attribute verification programs available in Canada

| |
|--|
| American Humane Certified |
| Animal Welfare Approved |
| Canadian Quality Milk |
| Certified Humane |
| Certified Organic |
| Certified Pesticide Residue Free |
| Certified Sustainably Grown |
| FamilyFarms Environmental Certification |
| Fairtrade Certification |
| Food Alliance Certified |
| Global Animal Partnership's 5-Step Animal Welfare Rating |
| Gluten-Free Certification Programs |
| Identity-Preserved (IP) protocols (e.g.: Dow AgroSciences Omega-9 oils) |
| Marine Stewardship Council Certification |
| Non-GMO Project Verification |
| Private brand protocols (e.g.: President's Choice Free From beef, pork and chicken; McCain Good Agriculture Practices) |
| Rainforest Alliance Certified |
| SPCA Certified |
| Verified Beef Production |
| Vintner's Quality Alliance (VQA) |

Source: Adapted from information provided by ITS Global



VIDEO:
Carman Allison of Nielsen Canada talks consumer trends.
fcc.ca/ConsumerTrends

Should you roll farmland into your corporation?

What has changed to make this approach worthy of consideration?

While there's still a preference by most producers to own land personally and keep it out of the corporation, the issue isn't black and white anymore. There are many instances where the benefits of land within the farm corporation outweigh the drawbacks.

The big drivers are expansion, the size of farms and the value of land. If you require debt to purchase land, you can pay the debt down a lot faster within a corporation.

The small business active tax rate for corporations in Alberta is 14 per cent, versus the top personal tax rate of 39 per cent for individuals. A similar gap exists across the country. A farm corporation simply has more after-tax dollars to pay for land.

Some producers with a large land base outside the corporation will roll a relatively small amount into the corporation just to provide security for borrowing.

What about giving or willing different parcels of land to your kids? You can't split up land that's within a corporation.

That's not necessarily true. If you have more than one child farming, they may end up not wanting to farm together. However, the rules of the Income Tax Act do allow a family farming corporation to be split into separate entities. So you can have different kids own separate farming companies with different land parcels in them.

It should be noted that shares of a farming corporation can be transferred, without capital gains tax, to your kids in the same way that land can be rolled to them.

A lot of tax and succession planning revolves around the \$800,000 lifetime capital gains exemption. For a couple, this adds up to \$1.6 million. If land is in your farm corporation, won't you miss using this exemption?

A producer may not want to put all land into the corporation. With the high value of land in most regions, even a small amount held outside the corporation will often use up the personal exemption.



In the past, most experts advised against transferring land into the farm corporation. Colin Miller explains why more farm tax experts are now saying the decision isn't so clear-cut.

COLIN MILLER

Colin Miller is a partner at the accounting firm KPMG in Lethbridge, Alta. He is co-author of Tax Management Strategies for Farmers published by Alberta Agriculture and Rural Development in 2011.



Alternatively, you could use up the exemption when you put land into the company. However, you do have to be aware of the alternative minimum tax if you use the exemption, and that's why each case needs its own plan.

As well, if the farm is eventually sold to a third party, it's now not unheard of for them to buy the shares of the entire farm corporation in order to get the land, and then the exemption can be used on the share sale. This is more complicated, but buyers looking to expand their land base are willing to negotiate.

What drawbacks do you have to consider?

Producers need to remember that taking land out of a company has tax ramifications. It's a lot easier to put land in than it is to take it out. Every situation is different and needs to be assessed on its own merits.

Some people can't get over the idea of not having personal title to their land and land often has sentimental value, so this approach isn't for everyone.

Putting land into your farm corporation will require work by accountants and lawyers and there will be costs involved. However, that can be relatively minor compared to the savings of buying additional land through your corporation. ■

Big data down on the farm

BY PETER GREDIG

The term big data refers to the fact that we are all walking, talking data-generation machines. Our online activities, debit and credit card purchases, social media participation and mobile device use all create data sets on purchase decisions, movements and lifestyle.

In agriculture, big data really started 20 years ago with the introduction of the yield monitor, which captured a yield data point every two seconds and tagged it to a GIS co-ordinate. We collected enormous amounts of yield data, created yield maps and, well, stared at them – an early lesson that generating data is easy. Spinning it into gold is the tough part.

Today, it's possible to access seeders or planters, sprayers, grain carts, UAVs (drones), robotic milkers, feeding systems, environmental controls, grain dryers and monitoring systems – all generating data that is increasingly apt to be transmitted wirelessly and effortlessly to Cloud or web-based resources. This is just the beginning. Almost any machine or device can now be built or modified to be operated remotely (via smartphone) and generate and wirelessly transmit data.

While farmers struggle to pull value from all these numbers, agribusiness is racing to obtain them. The big prize is aggregated data sets from thousands of farmers that show trends in how we're farming and our purchase patterns.

So, how much is your data worth? At least one company is willing to share the wealth. Farmobile LLC sells hardware you plug into the ISOBUS connection in your tractor, combine, sprayer, etc. The data is sent wirelessly to the Cloud for real-time viewing by the user or to be exported to other software for record-keeping.

The novel part of the business plan, which is still at the conceptual stage, is that if farmers opt to share their data through Farmobile, they would get 50 per cent of revenue derived from selling the data.

Generating data is easy.
Spinning it into gold is the tough part.



Most of the data chasers promise your data remains anonymous. But there are concerns, especially when we hear about instances of data hacking.

A project called the Open Ag Data Alliance (OpenAg.io) recognizes that farmers own their data. The objective of the non-profit is to create secure and standardized data systems that allow safe exchange and let farmers choose from various service companies without being locked in to a proprietary system.

We'll talk more in future columns about data privacy, security, flexibility and what questions to ask those who want to access your numbers. ■



VIDEO:
What is the Cloud?
Get informed with this Peter Gredig video.
fcc.ca/Cloud

Safety training for new employees

BY MARK CARDWELL

Spring is the time of year when many farm operations bring on new staff. The combination of increased activity and people unfamiliar with safety hazards is a potentially dangerous and even deadly cocktail. To protect employees while fulfilling legal requirements, farm operators need a plan.

“It’s important that every employer understand and recognize they are the first line of defence in preventing death and injury on their workplace,” Peter Sykanda says. “They know their farm, their machinery and equipment and where all the ‘rusty nails’ are.”

A farm policy researcher with the Ontario Federation of Agriculture, Sykanda is a self-described information quarterback who helps mostly small producers navigate the province’s regulatory labour landscape.

Since 2006, farms fall under the Ontario Occupational Health and Safety Act, which states the duties of all employers in the province.

Due to the varied nature of agricultural production, Ontario farmers do not have the same prescriptive safety regulations as other industries like mining or forestry. Instead, they operate according to guidelines or best practices.

“The employer is responsible for providing adequate levels of safety training,” Sykanda says. “When there is an accident that leads to charges (from the Ministry of Labour), the charge is usually cited under section 25.2 (h).”

That clause of the section obliges employers to “take every precaution reasonable in the circumstances for the protection of a worker.”

“What that boils down to usually is complacency or no prior planning,” Sykanda says. “That means (charged producers) didn’t go through the dangers and deal with them.”

According to the Canadian Agricultural Injury Reporting agency, there were 1,769 farm-related deaths across the country between 1990 and 2005, and more than 10 times that number of injuries requiring medical attention.

That makes agriculture one of Canada’s most hazardous industries, and farms one of the most dangerous workplaces. While each province has somewhat different farm labour laws, the basics apply across the country. New employees need safety training and it’s the employer’s responsibility to provide it.

“The first step to safely integrating new employees is to develop standard operating procedures that are customized to the producer’s operation,” Sykanda says. “You have to make sure new and returning employees read and review them, and you need to watch them perform tasks to make sure they understand.” ■

Responsible farm safety starts –
and ends – with a **solid safety plan**



Build your legacy together with the Transition Loan

Ready to buy the farm of your dreams?

If you're looking to start up your own farming operation, ambition is plentiful. But having enough money to make a purchase is usually a different story.

"When you're young and just starting up, access to capital isn't always so easy," says Jon Hironaka, FCC Relationship Manager based out of Camrose, Alta. "A lot of young people have the education, the skills and drive to run a successful operation. But where they come up short is in having the funds to get started."

Conversely, Jon says older generations looking to sell and retire from the business are stuck – they want to sell the farm, but qualified buyers are few and far between.

"Ideally, you want to bring the two parties together," says Jon. "The Transition Loan is such a great tool because it benefits both the buyer and seller. It allows the buyer to purchase and build their dream sooner, while giving the seller a qualified purchaser and guaranteed protection on their retirement."

For buyers, the loan provides options. They can choose to buy with less money down, sometimes as low as no money down depending on what they need. Buyers can also choose payment options that work best for their new business:

make interest-only payments to improve cash flow, or build equity with principal-reducing payments.

Are you ready to sell the farm you've built?

Finding a qualified buyer for your operation is sometimes easier said than done. Striking a deal that's attractive to both buyers and sellers makes transferring the farm easier.

When a buyer comes knocking at your door with the Transition Loan, you can be assured there's no risk. FCC guarantees full payment of the sale proceeds backed by a written Payment

Schedule Guarantee. You can set up the payment amounts you want – guaranteed, and extend them for as long as five years, which may help with tax planning.

"This loan really helps renew the lifeblood of agriculture," says Jon. "Sellers get to enjoy the fruits of their labour while passing on something they've built over decades. There's a sense of satisfaction in helping young farmers carry on a tradition everyone can be proud of."

You can also visit
fcc.ca/TransitionLoan.



We all share the same table. Pull up a chair.



“We take pride in knowing we would feel safe consuming any of the crops we sell. If we would not use it ourselves it does not go to market.”

- Katelyn Duncan, Saskatchewan

“The natural environment is critical to farmers - we depend on soil and water for the production of food. But we also live on our farms, so it's essential that we act as responsible stewards.”

- Doug Chorney, Manitoba



“The welfare of my animals is one of my highest priorities. If I don't give my cows a high quality of life they won't grow up to be great cows.”

- Andrew Campbell, Ontario



Safe food; animal welfare; sustainability; people care deeply about these things when they make food choices. And all of us in the agriculture industry care deeply about them too. But sometimes the general public doesn't see it that way. Why? Because, for the most part, we're not telling them our story and, too often, someone outside the industry is.

The journey from farm to table is a conversation we need to make sure we're a part of. So let's talk about it, together.

Visit AgMoreThanEver.ca to discover how you can help improve and create realistic perceptions of Canadian ag.



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