

AgriSuccess

VESTA FAMILY BONDS OVER HARMONY BEEF

RE-OPENING AN ALBERTA
PROCESSING PLANT

TWO QUESTIONS TO IMPROVE YOUR FARM MANAGEMENT

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WILL UPOV 91
AFFECT YOUR
OPERATION?



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Rich Vesta, shown here with sons Christopher (left) and Jeremy, has five decades of experience in the meat business (page 4).

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It's no longer economic mumbo-jumbo

I'm impressed with the economic literacy exhibited by the public in general and by producers in particular.

Interest rate policy, inflation, deflation, GDP growth and currency exchange rates aren't everyone's cup of tea, but after attending numerous presentations by economists and market analysts over the past year, I'm amazed by the depth of questions asked by producers in attendance.

I can remember attending a grain market outlook presentation years ago when an impatient and crusty farmer stood up in the back of the room and told the presenter that he wasn't interested in all the economic mumbo-jumbo, he just wanted someone to tell him what the price of canola was going to do.

These days, there's much greater appreciation that all the economic forces both within and outside our borders have a direct impact on our market returns, input costs and profitability. It seems the value of understanding all the factors influencing the market can't be overstated.

It has become commonplace to hear insightful questions.

"Would quantitative easing be as successful in Europe as it appears to have been in the U.S.?" asked a producer at a recent meeting. At another meeting, a producer wanted to know if American interest rates are likely to rise faster than rates here in Canada and if so what that might mean to cross-border trade and investment.

People sometimes joke that if you laid all the economists in the world end to end, they still wouldn't reach a conclusion. While it's true that economists don't always agree and economic forecasts don't always hit the mark, there's more appreciation than ever for all the factors involved in the analysis.

Everything is interconnected. The price of oil affects the price of corn. Interest rates affect farmland investment. Exchange rates affect trade patterns.

And never in history has more information been available to those of us who like to be armchair economists.

We welcome 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.

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Consider different cattle marketing options

BY LORNE McCLINTON



Cattle prices have been phenomenal for much of 2014 and 2015, but nobody can confidently predict how long it will last. Maximizing returns and limiting price risk are always important.

Producers in the western provinces have the opportunity to take out a policy with the Western Livestock Price Insurance Program (WLPPI) to establish a floor price on their animals. Cattlemen selling to U.S. buyers might want to consider managing their currency risk by hedging against sudden changes in the Canada-U.S. exchange rate.

While many cow-calf producers still feel comfortable selling weaned calves through auction markets in October or November, some are now selling through online auction services. An added benefit is that producers can “pass” on a bid they aren’t satisfied with. Still others market directly to a feedlot, or retain ownership and have them custom-fed to slaughter weight.

“No matter which marketing strategy you choose, you can increase your odds of getting a better price by establishing a good relationship with your marketing outlet,” says Sandy Russell with Spring Creek Land and Cattle Consulting in Outlook, Sask. “Doing some background work with the buyers and the market owners really pays off in the long run.”

This can be as simple as talking to your local market reps to let them know the type of cattle you have and when you plan to market them, she says. The more information you can supply, the better.

So be prepared to hand over to potential buyers your cattle weights, herd health and vaccination records, and participation in the Verified Beef Program. Small steps can go a long way to adding two or three cents a pound.

Developing a long-term relationship is even more important if you’re marketing your animals directly to a feedlot, Russell says. Feedlots can reduce their exposure by contracting directly with producers they’ve come to trust.

“Changing your marketing strategy can have implications for your entire operation.”

“Information starts to flow back and forth between the feedlot and producer almost automatically. This gives the producer an opportunity to learn exactly how his animals performed in the feedlot so he can adjust the breeding program to improve herd performance. This will become even more valuable in the future as genomic information starts to play a more important role in cattle marketing.”

Operations must offer a substantial quantity of animals for sale to attract a feedlot’s attention, Russell says. But as herd sizes continue to increase, there’s more interest in developing direct market relationships.

Risk and reward

Retaining ownership of your cattle until they’re ready for slaughter offers an opportunity to capture more value, Russell explains. Many producers are attracted to this option, especially when slaughter prices are good and feed costs are low. However, the longer you hold cattle, the more you expose yourself to production and market risk. An animal can die, feed costs can spike and the price you receive for them can suddenly plummet.

Knowing your cost of production is a key element to managing risk: if you understand your costs in raising calves through to weaning, it can help you decide whether or not to retain ownership. It’s also invaluable when determining how to best use risk management tools such as WLPIP. With separate policies for calves, feeders, and fed cattle, using one or more WLPIP contracts can allow producers to lock in a profit, whatever happens in the cash market.

“Don’t forget that changing your marketing strategy can have implications for your entire operation,” Russell says, noting that the timing of marketing can affect cash flow and taxation.

“Often, producers will offset these issues by shifting over to their new marketing strategy gradually. Some retain their heifers and lighter steers, while others split up their calf crop to reduce the impact a sudden shift would have.”

No two cattle operations are the same so a cookie-cutter approach won’t work, Russell adds. She suggests producers spend time exploring options for their business with a special emphasis on management strategy. ■



Have a contract

A direct marketing contract should clearly define what’s expected from everyone, and must work for all parties. Anyone in the supply chain not making money isn’t going to stay part of it for long.

“Believe it or not, there are still people in the cattle industry that market direct without having a contract,” says Sandy Russell of Spring Creek Land and Cattle Consulting. “I can’t stress enough how important it is to make sure you have a contract in place. Both parties have to clearly understand the terms.”

Once you have a good contract in place, you usually won’t have to pull it out of your files again. However, it’s worth more than its weight in gold if something goes wrong.

Custom feeding arrangements should also have written contracts, Russell adds. The contract should include the details about what your costs will be, as well as when and how payments will be made.

Visit wlpip.ca for more information about the livestock program.



Vesta family bonds over Harmony Beef

BY TRISH HENDERSON

In an era of record-low cattle inventories and consolidation in the North American beef processing sector, a long-dormant Alberta facility is bucking the trend. Rich Vesta, a man with a five-decade strong reputation in the meat business, and his sons Christopher and Jeremy are set to open Harmony Beef Company this fall.

Located just outside Calgary in Balzac, Alta., the facility formerly known as Rancher's Beef was built by a group of cattle producers in 2006. Unfortunately, with the industry struggling in the aftermath of Canada's first BSE case in 2003, the plant operated for only 14 months before closing its doors.

Leveraging agriculture expertise

Rich Vesta had held executive positions with companies such as the Land O'Lakes dairy-based co-operative, Swift meat packing company and JBS USA, a leading international processor of beef, pork and lamb. During his career, he became known for improving efficiency and profitability at underperforming beef plants.

An American based in Fort Collins, Colo., Vesta didn't expect to find his retirement project in a shuttered beef facility north of the 49th parallel.

"After running JBS North America, I realized I wanted to have a family business and work with our sons," Vesta

says. “My wife Pamela and I knew we were going to do something else. We just didn’t know it would be in Canada.”

Two weeks after retiring from JBS, Vesta got a call from an Alberta cattle feeder he’d done business with for many years, asking him to look at the former Rancher’s Beef plant.

“The more we investigated, the more we began to appreciate Canada and the high quality of cattle produced here. We became convinced there was opportunity,” he says. “We see this plant as a tipping point for the future of the industry.”

Since the Vestas elected not to assign themselves job titles and all business decisions are made jointly, communication is key.

It’s a family affair

The Vestas purchased a share of the vacant plant in fall 2013, and found key roles for both sons in the operation of the world-class facility.

Christopher had graduated from St. Norbert College in Wisconsin in 2004 with a double major in business and economics, and went on to work with his father as Director of Quality Assurance for meat processor Packerland and JBS North America.

Jeremy graduated from Northwestern University in Chicago in 2008, with a major in economics and a minor in transportation and logistics. He spent five years with Bunge Global AgriBusiness, working his way up to Senior Rail Corn Trader.

“I had the opportunity to work with the best corn and soybean traders in the world,” Jeremy explains. “Once the family holding company decided to invest in this beef plant, I felt it was the best time for me to join the family business.”

Jeremy’s financial expertise means he’s first to spend time in Balzac.

“Dad and I have been at the plant every single week since renovations started,” he says. “I’m handling all the purchasing and finance until we get a controller here.”

Since the Vestas elected not to assign themselves job titles and all business decisions are made jointly, communication is key.

“We talk to each other every day. Pamela is also a great supporter – we bounce everything off of her,” Rich says.



An exceptional partnership

“Jeremy understands finance and markets, and I have more experience with operations and IT,” Christopher explains. “Between the two of us, we can solve almost anything. And if we can’t figure it out, we have other resources – Dad being number one. Working as a team is one of the greatest strengths we have.”

“Dad has a history of excellence in the industry,” Jeremy adds. “My brother and I plan to leverage our father’s track record and his unique ability to get more out of a plant.”

One of the ways they’ll accomplish this is by motivating and inspiring their employees. “Getting to know and understand our employees is very important,” Christopher explains. “For example, we had a troubled plant on the (U.S.) east coast with predominantly Hispanic staff. We talked to them personally, in Spanish, to resolve the issue.”

“Our employees are equals to us in the business. Every role is crucial for our success, and these people are very close to being part of our family,” Jeremy adds.

Looking to the future

Although neither of the younger Vestas expected a career in agriculture, they both see plenty of opportunity in the sector. “Agriculture is a complex business,” Christopher says. “I’m grateful I was given this opportunity. If you’re willing to work hard and be dedicated, it’s a very rewarding field.”

Jeremy believes that commodity markets are not the same as they were 40 years ago, and it’s a chance for young farmers and agribusiness operators to shine.

“Markets are more dynamic. We’re not dealing with commodities that move only a quarter of a per cent a day anymore, and the way you made money in agriculture 20 years ago isn’t the way you’ll make money today. Young people with new ideas can help navigate this.”

The brothers also recognize it’s important for operators to acquire a global perspective.

“It’s a great big world, and it’s increasingly important to have experience outside your field. What’s happening during trade talks in Geneva is just as important as the canola yields on your farm,” Jeremy says.

Intellectual curiosity and continuous learning aren’t just for the younger generation, according to Rich. “I’m having the most fun I’ve ever had in my career, because I’m working with young people who challenge me every day.”

The Vesta family is confident Harmony Beef will serve the industry well, producing commodity beef for the first six months and then switching to high-value branded and differentiated beef products.

“This plant is a starting point for Christopher and me,” Jeremy says. “We expect to succeed and grow, and hope we can effect positive change in beef production and the markets.” ■

HARMONY BEEF FACILITY FACTS



Building size
67,500 sq. ft., located on a 30-acre site



Slaughter capacity
800 head/day (full capacity expected to be achieved after two years of operation)



Employees required
325 at full capacity



Certified for export to the European Union
Canada’s largest EU-certified facility

KEY CHANGES AT HARMONY BEEF



Installed water recycling system
capable of re-using up to 90% of the plant’s water requirements.



Doubled refrigeration capacity, meaning better food safety measures and improved beef quality.



Slower line speed than North American industry average, meaning higher quality beef and better employee safety.



Improved packaging and processing systems to maintain product quality all the way to consumers.



Formed a food safety and advisory committee to ensure food safety and animal welfare throughout the plant.



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Will UPOV 91 affect your operation?

BY KEVIN HURSH

With the passage of Bill C-18, Canada joined most other developed nations in moving to UPOV 91 (International Union for the Protection of New Varieties of Plants), a 1991 protocol that provides extended plant breeders' rights protection for new crop varieties.

Most farm organizations have expressed strong support for the measures, believing they will lead to more investment in Canadian plant breeding, the development of improved varieties and the introduction of varieties into Canada from other countries.

Farmer's privilege applies

Producers have repeatedly been assured that the right to reuse seed is protected through what is called "farmer's privilege." However, there are changes farmers should know about. As well, some producers could use a reminder of the current rules.

For varieties protected by plant breeders' rights, you can save seed and use it on your own farm. But, it's illegal to provide the seed to another grower. Producers are sometimes unaware they are breaking the law because they don't keep track of which varieties have rights protection. Check seed guides to make sure.

Buyer beware?

UPOV 91 applies to varieties submitted for plant breeders' rights in Canada after February 27, 2015, and it tightens the

rules somewhat. Previously, the seller was responsible for ensuring the legality of a seed sale. Now, the buyer shares this responsibility.

As well, seed cleaners have a responsibility to ensure that farmers bringing in product for cleaning have obtained that seed legally, and it isn't being cleaned for sale to another producer.

Growth of hybrid varieties

And, as in the past, the ability to save your own seed isn't absolute. Crops such as corn and canola are dominated by hybrid varieties where you wouldn't want to save your seed anyway because subsequent generations will be inferior. More crops will go the hybrid route in the years ahead. Beyond that, some production contracts require everything to be delivered, with nothing saved for seed.

Some worry that UPOV 91 opens up the potential for end-point royalties where money is deducted from the final sale of the commodity and channeled back to the breeder. This is possible with the new rules, but industry insiders say it would only happen after extensive consultation and most believe it is years away – if it happens at all.

The Canadian Seed Trade Association launched PBRfacts.ca to inform all stakeholders of the new requirements. The site includes the logos that identify whether varieties fall under the previous rules or the new UPOV 91 requirements. ■

Plant breeders' rights: what to look for



All varieties granted PBR protection prior to February 27, 2015, are designated by this original logo.



This logo designates varieties protected under the new PBR Act.



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Two questions to improve your farm management

THIS ARTICLE IS ADAPTED FROM AN **FCC EDGE** PODCAST WITH KEVIN STEWART

Effective problem-solving requires that we ask better questions. However, two of the most important questions – “What if?” and “Says who?” – require courage. Because if you ask them on a regular basis, you’re challenging your farm’s history, traditions and the status quo.

What if?

This question exposes holes in our plans and highlights the importance of crafting contingencies.

Danny Klinefelter, who runs the executive program in agriculture at Texas A&M, says every plan should have a backup plan, and every entry strategy should have an exit strategy. “Top guys always spend their time before they spend their money. The real difference between the best and the rest of the herd doesn’t lie just in planning, but in contingency planning.”

But contingency planning is really only useful if we’re willing to see our situation in the harsh light of reality.

In 1937, English author J.R.R. Tolkien penned *The Hobbit*. The story follows the quest of Bilbo Baggins as he attempts to capture a treasure guarded by a dragon. Tolkien writes, “It does not do to leave a live dragon out of your calculations, if you live near him.”

When you know of some potentially dangerous situation that can mess up your Plan A, you'd better consider a Plan B. Even if we test our plans, we tend to limit ourselves to most likely outcomes and not consider those dragon issues that may be a very large and real problem.

As you enter into any new venture, it's worth taking the time to consider realistic what-ifs and worst-case scenarios. I heard one lender refer to this process as shock-testing. It's really the basis of risk management.

Ask yourself

What if...

- We have a major production drop or disease outbreak?
- There's a death, divorce, disability or a decision by one of the owners to leave the business?
- Input prices double or commodity prices fall by 50 per cent?
- We lose a contract or land lease?

Klinefelter says the most frequent error he sees is when farmers believe they're addressing the issue of alternative outcomes, but they're actually evaluating the impact of standard scenarios, such as a 10 or 25 per cent decrease in revenues.

While it's not great to dwell on the negative, it's crucial to consider what could go wrong and your options if it does. Succession planning, successor development, buy-sell agreements and various types of insurance are examples of ways to ensure you ask yourself realistic what-if questions.

Asking "What if?" creates possibility thinking, which leads to innovation.

Seeing possibilities

"What if?" can be useful to a business in a completely different way. It could be argued that any discovery or innovation begins with someone asking, "What if?" Little Miss Matched socks started because someone challenged the assumption that socks are a commodity and asked, "What if we sold socks that didn't match?" The idea was focused on giving 12-year-old girls something to talk about, and it's been very successful.

Netflix was started when someone asked the disruptive question, "What if a video rental company didn't charge late fees?"

If you're a leader in your farm business, here's a challenge for you: consider running some of your daily or annual routines through a what-if audit. Then ask your staff to do the same thing. Why? The vast majority of us are simply not objective. Psychologists call this mental road bump a "confirmation bias."

The Wall Street Journal reveals "a recent analysis of psychological studies with nearly 8,000 participants concluded that people are twice as likely to seek information that confirms what they already believe as they are to consider evidence that would challenge those beliefs."

Asking "What if?" creates possibility thinking, which leads to innovation. Innovation is an important part of every farm business to ensure competitive advantage and sustainability.

It's possible the single most important question you can ask yourself in business is "What if?" It not only forces us to create contingency plans but helps us consider new possibilities as well.



Says who?

A mentor once taught me that it's healthy to always question statements. When someone proclaims, "It can't be done," I always ask myself, "Says who?"

In early 1954, the world record for the mile run was exactly where it had been stuck for a decade: four minutes and one second. According to History.com, breaking the four-minute barrier was largely considered impossible. "Many thought it unbreakable, and dozens of medical journals reported that it was physiologically impossible for the human body to break through the barrier."

It's no surprise so-called experts might reach this conclusion. For hundreds of years, people had been trying to break that four-minute mile. When generations pass and no one reaches that mark, you might begin to believe it's simply not possible.

In 1954, runner and medical student Roger Bannister was aware what medical experts had printed about the four-minute barrier. He essentially said to himself, "Says who?" He simply ignored them. In May 1954, Bannister became the first person in history to break the four-minute mile: three minutes, 59.6 seconds.

Bannister's record was remarkable in another way. According to legend, it took about 1,000 years of trying for one man to break through a barrier

considered to be unbreakable. By breaking the four-minute mile, Bannister removed the false ceiling that limited everyone else. The National Union of Track Statisticians reports that during the 60 years since Bannister's remarkable feat, more than 1,300 athletes have broken the four-minute mile mark. That's nearly one every two weeks.

Reject the status quo

Economist Danny Klinefelter says the best competitive edge you can give yourself costs nothing at all.

Let me explain using the words of philosopher and author Eric Hoffer. He writes, "In times of change, learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists."

Klinefelter says the best competitive advantage is to learn and adapt faster than your competition through continuous improvement and by rejecting the status quo.

I think it's hard for us to understand just how fast our knowledge of any subject becomes outdated and irrelevant. It can be difficult to see the pace of change around us. It's a bit like travelling in an airplane. Flying at 40,000 feet, you could look out the window and have no idea the geography below you is changing at a rate of 800 kilometers per hour.

Since the rate of change in agriculture is so quick, any management thinking that defends the status quo will quickly manage a world that no longer exists. In short, just because the choice you made for last year's crop was a good one doesn't mean that same decision will be a good one this year. ■



LISTEN

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fcc.ca/TwoQuestions



FCC Edge is a bi-monthly agriculture podcast. From business and technology to inspiration and farm safety, FCC Edge features and interviews are relevant to Canadian agriculture – and to your business.

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AG ECONOMIST BLOG

Can a weakened loonie make ag stronger?

In 2015, the value of the loonie is likely to stay below the average value of 2014. Here's how that might help Canadian producers and agribusinesses:

- most commodities are priced in U.S. dollars, and the conversion to Canadian partially shields producers from lower prices
- Chinese currency has seen its value increase against the loonie, which bodes well for Canadian exporters looking to expand market access

A lower loonie won't resolve all competitiveness issues, but it should give the industry time to increase efficiencies for long-term profitability.

J.P. Gervais
FCC Chief Ag Economist
[@jpgervais](https://twitter.com/jpgervais)

For more on economic trends, visit the Ag Economist blog at fcc.ca.

AT FCC AG KNOWLEDGE EXCHANGE EVENTS

DAIRY SECTOR

Potential protein market

Producers were interested to hear about the next big thing in consumer trends: protein drinks. Coca-Cola is already on board with Fairlife – milk with more protein and less sugar.

"How to Thrive in Canada's Dairy Sector"

Professor Maurice Doyon, Laval University



FARM MANAGEMENT

Fuel, fertilizer and seed

How much on-farm storage is enough? How many days can you run on your diesel supply? There's growing interest in a more practical approach to developing strategy, acknowledging it's a critical success factor in profitable farm management.

"Ag Outlook 2015"

Lyndon Carlson, FCC Senior Vice-President, Marketing



PERSONAL FINANCES

Canada's unique tax rules

In agriculture, operators can transfer wealth tax-free to the next generation and claim the capital gains exemption too. Farmers who combine these strategies reduce their effective income tax rate, build themselves a nest egg – and still control the land.

"Save Tax and Simplify Farm Transfer with the Right Business Structure"

Merle Good, Farm Consultant



BEEF MARKETS

Record high prices

Since no one can perfectly predict how long beef prices will remain high, producers are focused on understanding the factors that drive prices, as well as on how they might manage price risk in this new environment.

"Trends and Trade Issues in Beef Markets"

Anne Wasko, Market Analyst



EXPENSES

Land rentals

Producers across the country suggest land rental costs aren't likely to fall, even though commodity markets have declined. Regardless of profitability, competition could be high for land producers want.

"What You Should Know Before You Buy or Rent Farmland"

Lance Stockbrugger, Chartered Accountant and grain farmer



@hecker88

Great lineup of experts in Medicine Hat today, including Drew Lerner of World Weather Inc. #FCCAgOutlook

@BirnamPork

Spent a great afternoon yesterday learning about renting vs buying land. Thanks FCC. #FCCAgKnowledge

@HerbertLTracy

If you have an opportunity to go to an #fccforum, do it. Today's in Saskatoon was excellent.

Power up your marketing tools now

BY OWEN ROBERTS



The anticipation of tight margins and stiff competition prompted marketing talk to start very early, long before producers had put seed in the ground.

Some farmers may have found it strange to hear suggestions that they start thinking about marketing crops they haven't even planted yet, let alone harvested.

But thinking ahead about marketing is good management. It's the way producers in many other commodities and industries realize success. Consider the marketing and planning that went into the current "crop" of anything –

cars, trucks, clothes, you name it. Those efforts were conceived well in advance of being executed.

That level of planning should go into agricultural commodity marketing, too.

Start planning early

J.P. Gervais, Chief Agricultural Economist at FCC, says one impetus for marketing that's universal, regardless of the commodity, is competition. Competition is pushing producers around the world to increase productivity to meet a growing

“You need some strategies to make sure you have options.”

food demand. That’s where forward pricing options come in.

“They are an important management strategy,” Gervais says. “As a producer, your production plans are set for the spring. So once that’s complete, why not start having the discussion about marketing tools such as forward marketing? I believe producers should use all the tools available.”

Forward marketing – that is, setting the price now, for future delivery – could be an unusually helpful tool this year. Markets react to shifts in weather patterns and prospects of stronger or weaker demand from export markets and domestic processors or crushers.

North American soybean producers plant in the spring with the expectation that significant trends, such as stockpiling by China, will still be prevalent in the fall, and that profits on sales then will be meaningful. But what if that’s not true?

“Let’s recognize there is risk and that the market is volatile,” Gervais says. “Producers should take measures to lessen the risk.”

Producers often worry about crop failure and not having enough grain to meet

their forward-pricing obligations.

Certainly, with futures contracts and deferred delivery contracts it’s important to keep production risk in mind.

However, production risk isn’t a worry with options contracts and contracts that include an “Act of God” clause.

Try the clean-slate approach

When it comes to marketing plans, Brian Voth, Vice-President of Operations for Agri-Trend, urges farmers to wipe the slate clean every crop year.

He says the temptation is strong to repeat any profitable approach. But so much can change from year to year that last year’s successful marketing strategy might not be appropriate anymore.

“Each year needs to be approached independent of what happened the year before,” he says. “Everyone wants to sell all their crop at the height of the market, but you don’t know when that will be. So you need some strategies to make sure you have options.”

Voth says once prices get to the point where you’ve hit your projected return on investment, sell. You know your cost of production, and how much you want

to make from your crop. So, once you reach that sweet spot, sell some of your crop. Waiting could see it rise, but it could also see it drop. Lock in a profitable price.

Look forward, not back

Once you sell, let it go. Don’t look back, Voth says. Focus on what you have left to sell, not how much more you might have received if you held out longer. Don’t get down on yourself if prices go higher – especially if you still have grain. You’ll still make more money on what you have left.

He warns producers to not give in to envy, to how much someone else is purported to have made on their sales. “I chalk it up to coffee-shop talk,” he says. “In a conversation about prices, the last guy to talk is always the one with the best price ... but what was their volume – a small amount in some bins that they had left hanging around? And especially, what were their costs?”

Factors such as paying for new equipment will result in a higher cost of production. So even if a neighbour got a higher price, their profitability might not be much different than yours if you sold for a lower price but with lower costs.

Along with marketing, Voth urges producers to look at other areas, such as reducing fixed costs. Many farms growing the same mix of crops will have similar operating costs. But some farmers may have figured out ways to reduce their fixed costs, and that goes straight to the bottom line. “And in the long run,” he says, “lowering those costs are key to profitability.” ■



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Take baby steps to bigger profits

Why can 5 per cent improvements be a big deal?

The analogy I start with is a baseball analogy. A .300 batter versus a .250 batter is just one more hit every 20 at-bats. It doesn't sound like much, but when you replicate it over a season or over generations, it can really add up. In the canola farm example (see chart on next page), if you were to make a five per cent improvement on yield, a five per cent improvement on marketing and a five per cent decrease in costs, in theory that should only be a 15 per cent improvement, but it's actually **117 per cent more** to your bottom line.

So how big is that in a typical farm commodity?

Well, the example farm had a profit of \$50 an acre. Doing three things five per cent better made it \$108.50, so in a year they make more than double. If you draw 50-mile pockets in Western Canada, there are a lot of farms within those pockets where there will be one farm making \$100 an acre more than his peers, so the five per cent difference can be huge.

What can you do to get five per cent better yield? Going from 40 to 42 bushels per acre doesn't seem unattainable.

A good relationship with your agronomist can really help. Is there a better macronutrient package? Have you ever used potash? Are you using the right blend of products together? Do you use seed treatments? How good is the germ on your seed? Have you looked at thousand kernel weight?

What about the marketing side? Everyone likes to think they're doing the best job possible.

Education is key. How many people actually have the education to understand futures, options, cash contracts, basis contracts, and know when to roll the basis contract? Marketing services can really help some producers. Others are born to be good marketers. The biggest thing is to have a plan, know your cost of production. If you always lock in profits, it's really difficult to go broke.

On the cost side of the equation, it would seem a little counterintuitive because we're talking about investing in more inputs, but the volume of inputs isn't the only thing.



Kristjan Hebert explains how small improvements can really make a big difference in your operation.

KRISTJAN HEBERT

Kristjan is managing partner of Hebert Grain Ventures at Fairlight, Sask., and has extensive experience in farm business management. He began his farming career at the age of 15, renting his first land, and by 17 had 500 acres and a custom spraying business.

“The biggest thing is to have a plan, know your cost of production. If you always lock in profits, it’s really difficult to go broke.”

I’m a huge proponent of using more inputs. It’s a direct correlation to your gross margin in most cases. However, small improvements such as sectional control on our farm led to an eight per cent decrease in inputs with no change in yield.

What is our overlap difference on autosteer? Can you get 24-hour shifts because of autosteer? We talk a lot about labour, power and machinery. What is your real depreciation? What are wages to third parties, fuel, custom work, leases, the cost to get it done? That number can vary by \$100 an acre from one farm to the next.

So, two farms could grow the exact same number of bushels side-by-side and sell for the same price, and one neighbour would make \$100 an acre more than his peer simply because he is more efficient. The question to ask is this: How many more acres could I farm with my exact same equipment line plus or minus one human? It’s the easiest way to find out if you’re over-equipped.

You’re a big advocate of accrual accounting so producers know what’s going on financially. Please explain.

I wish accountants, consultants, insurance agents and bankers would force it upon agriculture. I think it would be the best change we could ever make, comparable to the switch to direct seeding in Western Canada. The first two years are not much fun because no one understands, but after that it completely changes the relationship with lenders. It enables forward planning because you know with certainty how your farm is performing financially. Knowing your debt-to-equity ratio and debt servicing ability completely changes how well you can plan for the future.



VIDEO:
Watch the full interview with Kristjan.
fcc.ca/FivePercent

	Example Canola Farm	5% Improvements
Canola yield	40 bu / ac	42 bu / ac
Price	\$10 / bu	\$10.50 / bu
Gross return	\$400 / ac	\$441 / ac
Total costs	\$350 / ac	\$332.50 / ac
Net return	\$50 / ac	\$108.50 / ac

(an increase of 117 per cent in net return)

Why wearing your hands-free device makes sense

BY PETER GREDIG

A host of next-generation intelligent, wearable devices are hitting the market today, but I'm most excited about how agriculture might take advantage of optical head-mounted displays. That's nerd-speak for products like Google Glass: essentially a pair of glasses with a built-in visual display, camera and processor. Instead of looking at the screen of your smartphone or tablet, you see the content in the upper corner of your lens.

Sound far-fetched? It's not. When we say next generation, we're talking two years – or less!

Google Glass has been around for a few years, but hasn't achieved the market share envisioned. The challenges are mainly cultural. It's too easy to collect video and other information in a very unobtrusive way, and there are legitimate questions about how we should use them in day-to-day settings. But for agriculture, I see huge potential.

Making the case for Google Glass

Imagine a hog producer walking along a row of farrowing crates. He stops in front of a sow and, using voice commands and Google Glass, pulls up the production records for that specific animal. Without touching a phone, tablet or heaven forbid, a paper-filled binder, he sees all that he needs to know.

For a crop producer, Google Glass could be used to pull up yield or fertility maps for a specific location while in that field. Pest ID apps and product selection tools could also be accessed. Schematics and user manuals could be viewed while actually working on equipment.

Familiar functions on a new device

Google Glass is really not doing anything that you can't do with a smartphone. It's just shifting the



interface from a device you hold in your hands and touch to glasses you wear and talk to.

Microsoft HoloLens, launched last November, is another device you wear like glasses. In this case, they're more like goggles. This device integrates high definition holograms into the real space around you. You direct the functionality using voice, hand gestures and gaze recognition (it detects where you're looking).

A potential use might be to view and learn more about a new piece of equipment. The hologram would be full size and 3-D and appear very real viewed through the goggles. You would be able to walk around the virtual machine and use hand gestures to learn about various features.

There will be even more exciting ways for us to take advantage of these tools in agriculture once we get broader access. Keep an open mind and start thinking about how you might use them. ■

Beware of sun damage

BY MARK CARDWELL

Dr. Joel Claveau wishes he knew far fewer farmers.

That sounds strange when you consider agricultural producers represent the biggest and fastest-growing group of clients at his busy private clinic in Quebec City. But Claveau is a dermatologist specializing in skin cancers.

He is notably a world-class clinician and researcher in malignant melanoma – the type that is more likely to spread inside the human body and kill.

Claveau says that in his practice, he rarely sees a farmer over 50 who hasn't had a brush with skin cancer.

"People who minimize or dismiss the health risks of sun exposure on farmers, construction workers and others who spend much of their lives outdoors are just burying their heads in the sand," he says.

About 80,000 Canadians will be diagnosed with skin cancer this year. The vast majority will have less serious skin cancers like basal and squamous cell carcinomas that can safely be treated at a dermatologist's office.

But some 6,500 new cases of the more rare and deadly melanoma will also be diagnosed. They will result in about 1,600 deaths from leukemia and other cancers.

But it doesn't have to be that way.

According to Claveau, most skin cancers result from the harmful effects of the sun's ultraviolet rays, which lead to genetic mutations that cause cells to grow out of control. Fair-skinned people are especially at risk.

"There is a cumulative effect," Claveau explains. Farmers who seem quite healthy at 50 can display symptoms of skin cancer by age 70, he says. "You need to take some preventative action every day, even when it's cloudy."

Claveau recommends applying sun screen on exposed body parts once in the morning before heading outdoors, and again at lunch. He also recommends wearing a hat and not a baseball cap, which doesn't provide protection for the ears or neck. It's also critical to stay out of the sun whenever possible, especially during peak sun hours.

And consult a physician if a painful lesion or a mole appears on sun-exposed skin, or even on areas that rarely see the light of day. "If it's been there a couple of months, you should consider it to be a cancer until proven otherwise," Claveau says.

Learn how to protect yourself with more tips from the Canadian Dermatology Association website, dermatology.ca/sun-safety. ■



What to watch for

Moles, spots or growths on your skin are usually harmless, but not always. Look for these warning signs:

Asymmetry The two halves don't match, if you imagine drawing a line through the centre.

Borders The edges are uneven, scalloped or notched.

Colours There are many shades (brown, red, white, blue or black).

Diameter The diameter is six millimetres (about the size of a pencil eraser) or greater.

Evolution There's been a change in size, shape, colour or height, or a new symptom has developed such as crusting, bleeding or itching.

Cancers that develop later in life, on areas of skin often exposed to the sun, are most likely a type of slow-growing carcinoma that can be removed by surgery. It's important to examine your skin regularly and see a doctor right away if you notice any symptoms.

Source: Health Canada



PODCAST:
Get more tips
for staying
healthy in this
FCC Edge podcast.
fcc.ca/YourHealth



Each month, nearly 850,000 Canadians use a food bank 36 per cent are children

Fight hunger close to home

When it comes to our basic needs in life, food is at the top of the list. Most of us are fortunate enough to have plenty to eat. Not everyone is so lucky.

FCC Drive Away Hunger is about making sure Canadians don't go hungry. After all, we're in the business of agriculture, which is the business of producing food. We know this is something close to the hearts of our customers and employees.

Thanks to community partners and friends like you, FCC Drive Away Hunger has raised over 22 million pounds of food for food banks across Canada – and we're pretty proud of that.

Get involved

Until October 23, you can bring food or cash to the FCC office nearest you, donate money online at FCCDriveAwayHunger.ca, or give what you grow by donating some of the proceeds from your field, bin, livestock or greenhouse.

All cash donations go to the food bank of your choice and all food donations go to your local food bank. So you know your contribution will help fill empty plates.

Special thanks to our platinum partners BDO Canada, TMF Foods Inc., Défi Jeunesse Québec, Courchesne Larose, Chenail Fruits & Légumes and national partners Parrish & Heimbecker Limited, Windset Farms™, Co-op, Solis Foods Corporation, AGT Foods, and BroadGrain Commodities Inc. for their ongoing support and commitment to the program.

Support a tour near you

Every FCC office across the country is accepting donations. Tractor tours are planned in Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia, and in Regina, home of FCC corporate office.

Visit FCCDriveAwayHunger.ca for more information.

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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