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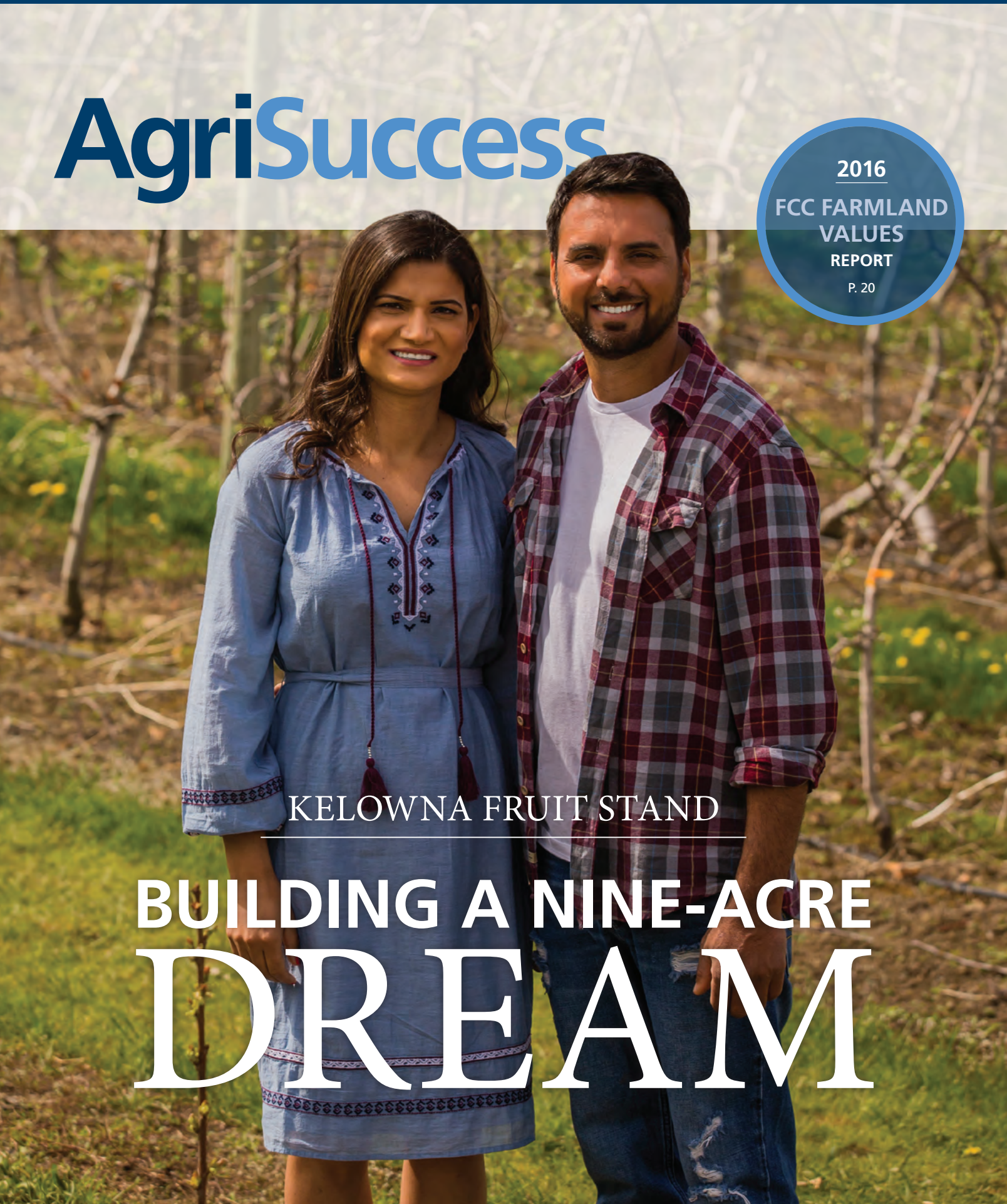

KELOWNA FRUIT STAND

BUILDING A NINE-ACRE DREAM

IN THIS EDITION

JUNE 2017

AgriSuccess

With pride in agriculture and a positive yet realistic outlook, AgriSuccess is dedicated to helping Canadian producers advance their management practices. Each edition aspires to present content that is:

- *engaging*
- *motivational*
- *innovative*
- *actionable*

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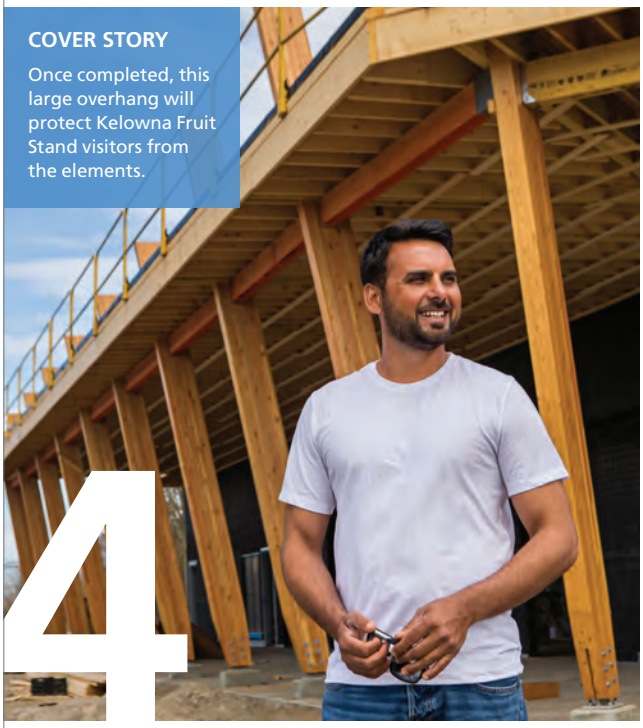

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Once completed, this large overhang will protect Kelowna Fruit Stand visitors from the elements.

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Making your farm stand out

"What do you want for Christmas, Dad?" one of our sons asked last year.

I'm not good at either buying gifts or giving other people gift ideas, but after thinking about it for a while I replied, "How about you design a logo for the farm? After all, you're a graphic designer."

We went back and forth on a number of ideas, and Hursh Farms Inc. now has a logo that reflects our farm. We'll use it on letterhead and invoices, and I was amazed at how inexpensive it was to get 250 business cards made.

In this digital world, business cards aren't used as much as they once were, but for us it's good to have a card that explains the home office is in Saskatoon, while the farm is about three hours away at Cabri, Sask. Grain buyers and trucking companies are sometimes confused.

My next step is to investigate grain sample bags customized with our logo and contact information.

Lots of grain companies provide producers with grain sample bags, and you can easily write your information on those free bags. But the bags are branded with the grain company's name.

Grain bags emblazoned with company A's logo might be fine for sending samples to company A, but grain samples might also need to be sent to company B, C, and D. And the grain doesn't belong to any of those companies until you reach a deal to sell it to them.

Of course, you can just buy plain Ziploc bags and write in your info, but why not have your own customized sample bags, especially when you have a neat logo to show off?

At this point I don't know the cost per sample bag, but I suspect it will be a small price relative to the additional exposure with buyers.

What steps do you take to make your farm stand out?

We welcome your feedback and story ideas. Email kevin@hursh.ca or tweet @kevinhursh1. ■

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specializing in specialty crops

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Keep your farm working even if you can't work

BY LORNE MCCLINTON

What would happen to your farming business if you were disabled by injury or illness? According to Canada's ombudsman for health and life insurance, one in three people, on average, will be disabled for 90 days or more at least once before they reach age 65.

"If you can afford to retire and you are just working because you enjoy it, then maybe you don't need disability insurance," says Bill Allen, a certified financial planner with Sun Life in Regina, Sask. "You might be able to just rent out your land and do just fine financially."

A **personal disability policy** can replace up to 85 per cent of earnings from all sources. Traditionally, this was calculated from reported taxable income. Since that doesn't always work well for farmers, companies have started letting producers include some of the income they have deferred through capital cost allowances.

Farm corporations have additional options they can use to protect themselves if someone who owns at least 25 per cent of the business becomes too sick or injured to perform their normal duties, Allen says. For example, **business overhead expense disability** ensures the company can always pay its bills. It will cover some employee wages, land rent, utilities, equipment lease payments, scheduled loan payments and interest on a line of credit. Premiums might be tax deductible as a business expense.

You also can take out additional coverage with **business loan protector disability** if you've maximized your business overhead coverage, Allen adds. This type of policy will cover loan payments, but not line of credit, up to the insured amount.

"The costs will vary depending on the quality of coverage," Allen says. "For example, the definition of disability, how long the income will last and how soon it would start paying out are three ways you can adjust (the costs). Premiums are based on risk, so an older person will pay more."

One in three people, on average, will be disabled for 90 days or more.

Critical illness insurance is another option, Allen says. It provides a lump sum payment that can be used as needed if you are diagnosed with Alzheimer's, cancer, heart disease, Parkinson's, stroke, or one of the other covered medical conditions. It could also be used to fully or partially fund buy-sell agreements, and could provide a timely way for companies to pay out a sick or injured shareholder.

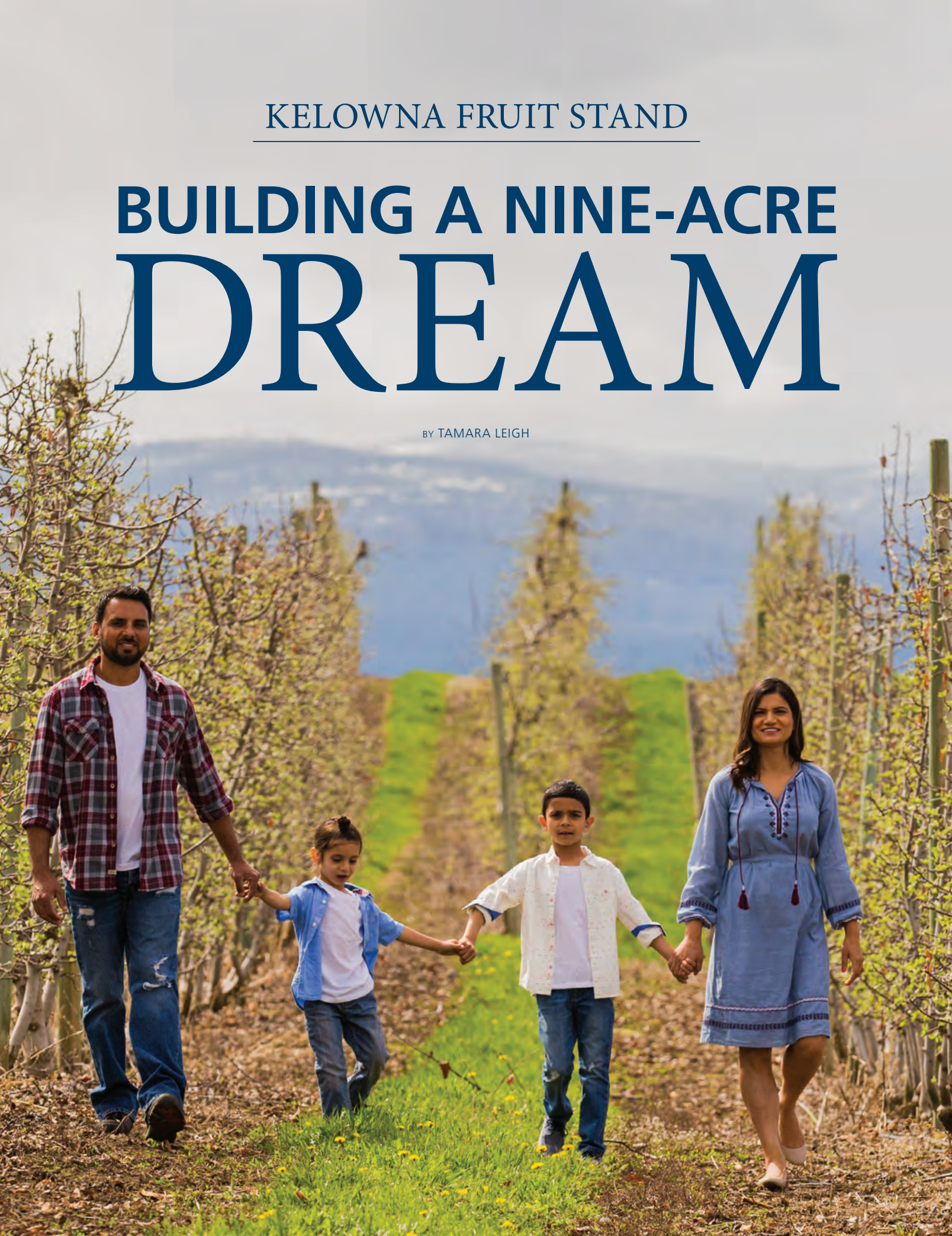
Many different insurance options are available for farm operations, and the right product will depend on the size of your farm and the ownership structure. It is valuable to consult with industry professionals. ■

VIDEO: Eliminate Gaps in Your Insurance Coverage | **fcc.ca/Gaps**

KELOWNA FRUIT STAND

BUILDING A NINE-ACRE DREAM

BY TAMARA LEIGH



When Lakhwinder Brar moved to Canada in 2008, he dreamed of one day owning a farm. Originally from India, he grew up growing grains and rice with his parents and grandparents. When he arrived in British Columbia, the dream seemed a distant possibility.

"I went to school at Okanagan College for a trade in plumbing and gas fitting, and worked with a local company in Kelowna," Brar explains. "I started my own company three years ago in plumbing and heating."

In 2015, Brar partnered with his uncle to buy a small property on the outskirts of Kelowna and started a fruit stand. Strategically located on the way to the Kelowna airport, the fruit stand sells locally grown fruits and vegetables. Their commitment to selling local produce is more than marketing.

"Our goal is to expand in the farming industry by growing the local market for local farmers," Brar says. "The biggest challenge in the farm industry is to get a good price for your product. I believe we need more competition and buyers to help farmers get better prices."

He observes that increasing demand from international markets has been a boon for cherry growers in the Okanagan, and the rise of wineries has increased the acreage in grapes in recent years. But previously iconic Okanagan crops like peaches are increasingly difficult to find because they don't have the same market opportunities.

"The year before last, it was hard to find good peaches because there aren't many peach orchards left," he explains. "I think they need a proper market for soft fruit. People weren't getting good payouts, so they went into grapes and other crops. If there are more farm markets, and they can sell mostly local, it's good for the growers and they get paid right away, too."

> "It takes hard work, and you need knowledge of the field you're going into before you start investing."

At the farm with FCC relationship manager Jonathan Blais

From selling to growing

Last year, Brar and his young family realized their farming dream and bought a nine-acre orchard. The orchard puts them in charge of some of their own production – and supply chain – while their store ensures a consistent market for their fruit. While it's a big change from growing grains and rice to running an orchard, with the help of his family, Brar is learning quickly.

"Most of my family has settled and is farming in the Okanagan," Brar explains. "They've supported us both financially and with their knowledge about the fruit industry. When I have questions, they are there for me."

Family figures prominently in the business. His wife, Param, manages Kelowna Fruit Stand in the summer with the help of family, students, and local workers. His uncle, who farms in the South Okanagan near Osoyoos, is a partner at Kelowna Fruit Stand and one of the first suppliers of a variety of fruits. It gives Brar comfort to see his two sons, now four and six years old, growing up on a farm like he did.

Building solid business foundation

Brar credits his education in trades with helping him develop the strong business skills needed to succeed in all his enterprises. With solid business foundations in place, he's focused on building. In spring 2017, Kelowna Fruit Stand will re-open in a new building with more space and better amenities.

"We're really excited for our new building. We've worked hard on the architecture," he says, adding that it has been designed to represent the natural beauty of the Okanagan. "The building features enough space for a variety of local products as well as a commercial kitchen facility, so we can start making baked goods and other value-added products from our fruit."

The orchard will be undergoing some renovations as well. Some of the apples will be pulled out to make room for a few acres of cherries, in addition to the plums, apples and nectarines that are currently growing. They will also continue to build on their vegetable gardens – expanding production and the variety of vegetables for sale at their stand.

Expanding with the community in mind

It's just the beginning. Looking further ahead, Brar wants to expand the production side and acquire more orchard acreage, and would like to start packing fruit for other farmers – particularly soft fruit and apples – to open new markets and opportunities.

"We want to do better for the whole farming community. It's tough out there. You don't see a lot of young people getting into farming. Most farmers we meet out there are in their 50s," he says. "We need to steer more people into farming, but if it's profitable, people will come by themselves."

With a young family and three growing businesses, there's not a lot of extra time in a day, but Brar takes pleasure in the work, the people and the vision. He knows that big dreams are built one small step at a time.

"It takes hard work, and you need knowledge of the field you're going into before you start investing into it," he says, reflecting on the key ingredients for success. "You need commitment. You don't get success in a day – it takes time, but it pays off in the end." ■

Find them on Facebook or follow **@KelownaFruitStand**

Follow Tamara: **@Shiny_Bird**

Hybrids change cereal grain economics

BY KEVIN HURSH

What hybrid varieties have done for corn and canola is now occurring with rye, and should soon be happening with wheat.

The yields of both corn and canola have steadily increased, with hybrid vigour (heterosis) as a major contributing factor. Hybrid production is much easier to accomplish with some crops than others. That's why hybrids haven't been developed for soybeans.

With hybrids, producers need to purchase new seed every year, so the yield advantage has to be large enough to warrant the increased cost.

Over the past couple of years, hybrid fall rye has been introduced to Western Canada. Varieties developed by German-based KWS Cereals are being marketed by different seed companies in this country. Although developed for use in Europe, the varieties have been a hit in Canada.

Claus Nymand of KWS Cereals says the yield advantage is at least 20 per cent – and with proper management may be closer to 30 per cent – as compared with conventional varieties. Winter hardiness is good and the new varieties show a considerably better falling number, a quality test important for the milling and distilling industries.

Rye is a minor acreage crop in Canada, but Nymand is optimistic that improved yields and quality will make rye more competitive with other cereals in the feed market, allowing acreage and production to increase.

Meanwhile, Syngenta and Bayer CropScience are among the companies working on hybrid wheat varieties. Darcy Pawlik, the North American product manager for cereals at Syngenta, believes the hybridization of wheat can create added value for all players in the value chain.

In North Dakota, Syngenta's first experimental wheat hybrids were grown in field trials last year, exhibiting a 10 to 15 per cent yield advantage. Pawlik says the commercialization target for the U.S. market is 2020.

The company hopes the first hybrid wheat varieties will be available in Canada a couple of years later. Canada has a three-year registration process, and that may slow things a bit.

> The yield advantage has to be large enough to warrant the increased cost.

While the first wheat hybrids may only have a 10 per cent yield advantage, Pawlik acknowledges that's the minimum necessary to justify the cost of producers buying hybrid seed. He expects superior results from subsequent varieties. Syngenta is also working with hybrid barley, but at this point that work has been in Europe.

Cereals have often been the least profitable crops in the rotation. Hybridization would appear to be one of the best hopes for reducing the cost of production on a per tonne basis. ■

Considering an off-farm gig?

3 questions to ask

BY KIERAN BRETT

Ever want to have a business outside of farming? It could be a great way to learn new skills, earn extra income and keep busy at times when farming's quiet.

Back in 2003, Drumheller, Alta., grain farmer Gary Chambers was looking for something beyond the farm. He settled on real estate. Today, the farm's as successful as ever and Chambers is a real estate agent well-known in the area.

What made his decision the right one? Looking back, he thinks you can put your potential side-gig to the test by asking these three questions.

1 HOW WELL DOES IT WORK FOR THE FARM? Chambers is the fourth generation on a family farm that's well over a century old. No way was he willing to risk the farm for a new venture. As he sees it, to be sustainable, a side-gig must respect the times when you need to be in the field. "You might have a big grain truck and be able to haul grain as a business," Chambers says. "The problem is: everyone wants their grain hauled at the exact time you're busy with harvest."

Chambers manages his real estate business remotely during seeding and harvest. His clients know he farms and his real estate colleagues can cover the occasional open house if Chambers can't be there. Once harvest is done, Chambers can devote his full energy to selling houses. It's a good fit.

2 WHAT GRABS YOU ABOUT IT? "If it's just a job, it's not going to work," Chambers says. "If you're looking at a second occupation, it has to be something you're passionate about and good at. A lot of grain farmers do something with livestock because it's a fit for the farm, but I didn't like working with animals." On the other hand, Chambers had a sales background, enjoyed sales and liked working with people. Real estate ticked this box too.

3 WHAT'S YOUR TOTAL INVESTMENT? To get going in real estate, Chambers needed to get his real estate licence and set up an office. Compared to farming, the financial investment was modest but his investment of time was significant. **Before you press play on your side business, be sure you understand what it'll take to succeed.**

If you can follow your interests, make some money and still put farming first, why not go for it? Farmer and realtor Gary Chambers is glad he did.

"You definitely want to go into it with a solid business plan," he says. "This will help you decide if you're willing to part with a few dollars and invest your time in that opportunity." ■

Watch fixed costs when increasing acres

BY KEVIN HURSH

An expansion of your seeded acreage can create more problems than anticipated. If not managed properly, relatively small expansions can actually decrease a farm's profitability.

On paper, it can look good. You expand your grain farm by renting or buying additional land. You anticipate farming the extra land without having to upgrade equipment. Spreading your fixed costs over more acres lowers your cost per acre. Presto, you're more efficient.

It's a good theory and it can work, but all too often the extra land creates a time crunch at seeding and/or harvest. If yields are reduced, it will increase the cost of producing each bushel.

Know your sweet spot

Hebert Grain Ventures at Fairlight, Sask., has grown to 12,000 acres, but managing partner Kristjan Hebert readily admits the operation was more cost efficient at 8,000 acres. At that size, one large 80-foot seed drill running 24 hours a day could handle the seeding, and two large combines could handle harvest operations.

"Moving from 8,000 to 12,000 acres was tough," Hebert says. "We feel we need to get to 16,000 acres to be back in a sweet spot for efficiency."

Hebert says adding incremental harvesting capacity is relatively easy with custom combiners. Seeding can be tougher to outsource, and buying a second smaller seed drill is typically more costly

Hebert prefers to have people in place and then scale up, versus scaling up and then scrambling for people.

per foot of drill once you consider the cost of the tank and the tractor.

"The human side is even worse than the equipment to scale up," says Hebert, who has a background in farm financial management. "Good people are vital." He estimates that in his operation, one full-time person is required for each additional 2,000 acres. Hebert prefers to have people in place and then scale up, versus scaling up and then scrambling for people.

While there are sweet spots in the size continuum, Hebert believes the managers who focus on profit maximization and constant improvement will be the most efficient at any particular size.

"Better is better, before bigger is better," Hebert says.

Analysts agree

Agricultural economist Bill Brown from the University of Saskatchewan has evaluated costs for many grain farms over the years, and his conclusions are similar. Economies of size, says Brown, are "lumpy."

He notes that small to medium-sized grain farms can run older and smaller equipment and be cost-efficient. As you reach the maximum that can be accomplished with the largest equipment available, further expansion can be more problematic.

Certain sizes are more efficient. The increment varies from one region to the next depending on the length of the growing season, crop yields and the crop mix.

"We wrestle all the time with matching capital assets to the size of the operation," says Jonathan Small, a farm management consultant with the accounting and financial management firm MNP in Red Deer, Alta. Rather than equipment cost ramping up in lockstep with seeded acres, Small says it more often steps up like a stairway.

"Some producers embark on expansion without a strategy for how to grow," Small notes. "Some upgrade equipment, but they don't have a plan for acquiring more land. This can lead to some horrible inefficiency."

Renting land is often viewed as a way to make money so a farm can eventually purchase land. This won't work as well as intended if the rented land actually reduces farm efficiency.

There are no magic answers, but it's important to monitor your equipment investment per acre. You also need to be realistic about how you plan to handle the machinery and labour requirements that will come from an acreage increase. ■

Follow Kevin: **@kevinhursh1**

WHAT'S YOUR ANNUAL EQUIPMENT COST PER ACRE?

Jonathan Small of MNP sees a huge variation in equipment investment per acre from one farm to another. He believes $350 per acre is now typical in Alberta, but he sees producers doing well with only $200 an acre invested in equipment. And he sees other producers who have investment of well over $800 an acre.

While the numbers will be different in each region of the country, the wide variation between farms likely exists everywhere.

As a rule of thumb, Small says you can take 25 per cent of your equipment investment per acre and assume that's your annual cost.

The 25 per cent accounts for annual machinery depreciation of 15 to 20 per cent, five per cent for repairs and an allowance for the cost of money.

For this calculation, leased equipment should be included at fair market value. Depreciation is a "paper" cost on equipment you own until it's time to sell it. On leased equipment, the cost of depreciation is built into the lease payment.

Kristjan Hebert of Hebert Grain Ventures doesn't typically buy or lease brand new equipment, believing that tractors and combines with a few hours on them are a better value and help reduce the cost per acre. He advocates careful analysis to see which deals are beneficial to a farm.

VIDEO: The 5% Rule: How Small Improvements Can Improve Your Bottom Line | **fcc.ca/FivePercent**

"It was Prime Minister Wilfrid Laurier who famously said that the 20th century belongs to Canada. I would like to tell you today that the 21st century belongs to Canadian agriculture."

Honourable Lawrence MacAulay
Minister of Agriculture and Agri-Food

At the first **Canada's Agriculture Day**
February 16, 2017 | Ottawa, Ont.

INDUSTRY SPOTLIGHT

GOATS FOR MEAT AND MILK

You may be surprised to learn that worldwide, more people consume meat and milk from goats than meat and milk from cows.

While most Canadians aren't big consumers of either, our domestic demand of both outstrips production.

Canada's goat dairy industry is in the midst of a boom, with Ontario dairy co-operative Gay-Lea Foods recently announcing several expansion initiatives. Kingston, Ont., has plans for a goat-milk-based baby formula company that would demand up to 75 million litres of goat milk a year at maximum capacity.

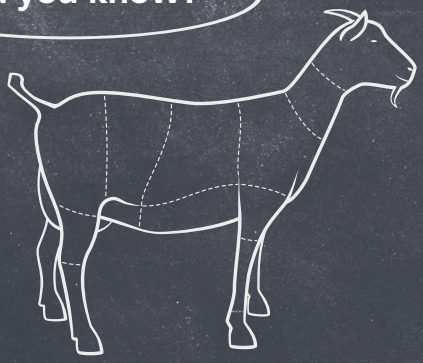
FOOD SAFETY IS #1

54%

A recent survey identified **food safety** as the top food system concern for Canadian consumers in 2016.

Source: The Canadian Centre for Food Integrity

Did you know?



Goat meat from mature animals is called **chevon**

Meat from goat kids is called **capretto**

Source: Gaylea.com and OntarioGoat.ca

COMPILED BY LYNDSEY SMITH | Find Lyndsey across social media platforms as **@realloudlyndsey**

STAGGERING STAT

Between **17 and 33 cents per dollar** spent on food at the retail level is **paid to the farmer** – at a restaurant, their share can **drop as low as 10 cents**.

Source: Farm & Food Care Saskatchewan

SMALL POPULATIONS BIG PRODUCTIVITY

Population
16.9 million

Netherlands is #1
per capita agri-food trader
with US **$4,850**
total trade values
per person in 2015

Population
35.1 million

Canada is #5
per capita agri-food trader
with US **$1,181**
total trade values per
person in 2015

Source: UN Comtrade, US Census International Database, FCC calculations

IN YOUR WORDS

LENDER RELATIONSHIPS

We asked, **"What do you wish your banker or lender knew about your farm?"** via social media, to gauge what's most important to you.

The recurring theme? **Relationships matter**. Other popular answers were: taking the time to get to know the community and your farm, as well as being helpful and advisory – not just a yes-or-no answer on a loan.

Here are a few tweets:

Andrew Dalgarno @Andrew_Dalgarno
I appreciate: Brutal honesty. If there's a problem coming, let's talk about it.

Rob Stone @rgstone1
They understand it's a competitive industry, and work hard for our business, and don't get hurt if we finance with another lender.

Lindsay Kimberly @Kimbrellfarms06
They are actually there to help the farmer, and are user-friendly for money transfers. Great staff that understand ag life (are important).

Harm Kelly @KellyCreekDairy
Our farm rep (FCC) will be at local farm auctions talking to farmers. He is then able to keep up with news and prices.

Some tweets edited for clarity

BUYOUT BY FARM EMPLOYEE CAN BE A **WIN-WIN**

In this second of our fictional case studies with BDO Canada, we take a look at a beef feedlot farming couple, Duncan and Irene, who are nearing the end of their farming careers and considering options.

THE SETUP

Duncan and Irene could just sell it all. . . the livestock, equipment and the land. After all, they had no children to pass the farm to. Both in their mid-60s and in excellent health, they still enjoyed their work, but it was time to consider a life after raising beef cattle. Although selling out would be the simplest approach, they worried about such an abrupt change to their lifestyle after farming for over 40 years. They also had a young employee, Adam, who wanted desperately to buy into the business and build on Duncan and Irene's vision.

Adam was not from a farm and just went along with some school buddies in joining the 4-H beef club when he was a youngster. It was fate – from the first moment, Adam was hooked. Duncan heard about how keen the kid was and hired him to help on the farm after school and in the summers. Aside from a two-year hiatus to attend ag college, Adam never left. Now a young man in his mid-20s, he dreams of having his own farm. As he took on more and more responsibility, he began to think maybe there was a way to gradually buy into Duncan and Irene's operation through sweat equity.

For Duncan, it was never about building the farm for the next generation, because there were no children. Two neighbours were already showing interest in buying him out, but that didn't sit right with Duncan and Irene. Duncan knew how passionate Adam was about farming and he had been a very positive and energized employee for the past 10 years. He had come a long way, learning how Duncan ran things and bringing his own ideas to the table as he learned the ropes. Duncan also knew that if he sold to a neighbour or stranger, his farming career would end overnight.

The time was right to sit down and talk.

THE WRENCH

Adam had saved some money, however, he was in no position to buy or borrow all the capital required to purchase the 400-acre operation as well as the livestock and equipment. He was also engaged to be married to Jenna, who had just started her nursing career at the local hospital.

For Duncan and Irene, it was time to be free of daily chores and the physical tasks that may become difficult as they age. The farm had been an all-consuming endeavour for them and, although they loved it, they talked about being able to travel and explore other interests before they were too old.

So how to set up an arrangement that respected the value of what Duncan and Irene had built that's also structured to work within Adam's financial realities?

SHARING RESPONSIBILITIES

Both couples met with their accountants, lawyers and financial planners. A plan started to emerge that would see the young couple acquire the operation over time, starting with the livestock and eventually including the equipment and real estate.

To minimize the income tax implications, Duncan and Irene would downsize from their current 500-head feedlot. Next fall, they would purchase only 300 head and Adam would purchase the other 200. Adam would assume responsibility for the costs to raise Duncan's cattle and bill Duncan monthly for his share of feed, vet and other costs.

In exchange for his cattle being housed in Duncan and Irene's facility, Adam would assume primary responsibility for the care of the livestock, with Duncan assisting only when needed. After three years, Adam would own all the cattle. Adam and Jenna's lender was in favour of this arrangement and approved an operating loan that would be increased over time once they had proven their ability. Jenna's off-farm income would provide for their living expenses while they saved the profits from the cattle to reinvest in a larger herd each fall.

During this phase-in period, Duncan and Irene would retain ownership of the land and equipment. Adam would rent 250 acres from them for feed, and Duncan and Irene would continue to crop the other 150 acres, with Adam's assistance.

During this transition period, both parties would have time to assess the situation. Adam and Jenna would have a chance to confirm their desire to commit to farming. Duncan and Irene would continue to pay down the debt outstanding from the recent purchase of a 100-acre parcel, and begin plans to build a new home on it.

If all proceeded as planned, Adam and Jenna would purchase 300 acres, including the barns and house, and rent the remaining 100 acres. Their lender was prepared to advance 50 per cent of the purchase price, and Duncan and Irene would take back a mortgage for the remainder.

THE LESSON

Transitioning the farm to Adam and Jenna forgoes the lump sum payout that Duncan and Irene would receive if they simply sold everything. But the transition plan would allow them to build a new home, pay off any remaining debt and have enough money coming in initially to start enjoying retirement. Deferring payments for the land over time generates some tax advantages and the ongoing loan payments would provide a steady source of income in the coming years.

For Adam and Jenna, the opportunity to buy into the livestock first and equipment and real estate later gave them time to prove to their lender, and themselves, that this was a viable option. ■

BDO Canada LLP is a national accounting and advisory firm serving producers from offices across Canada.

@BDOCanada_Ag | BDO.ca

Loan tips from 4 lenders

JOANNE PRYSUNKA
Manager, Business Banking Centre
Mountain View Credit Union
Olds, Alta.

For producers applying for a new loan, what advice can you provide to make the process as effective, quick and successful as possible?

I recommend producers provide financial information prior to the first meeting. When we get this information up front, we can spend the meeting discussing the operation and future plans rather than filling out and checking forms.

Three basic financial reports are required in the typical lending transaction: net worth statement, most recent year's income statement, and projections. A net worth statement needs to include detailed inventory, equipment, land descriptions and loan information. If tax returns or financial statements are "still at the accountant," provide an income statement from your accounting software program.

Projections should include the assumptions of production quantities and pricing – and an explanation if these assumptions differ from the operation's historical averages. When preparing projections, show you've considered the average, best and worst-case scenarios. If significant changes are planned, I recommend a detailed business plan.

Identify the key risks and how you intend to manage them. We're committed to your success, and understanding the entire picture enables us to quickly approve appropriately structured credit.

AIMÉE BASSET
Senior Relationship Manager
Farm Credit Canada
Humboldt, Sask.

I think it's important to make sure all the decision-makers are present. When I meet with clients, I like to meet with everyone involved in the operation. If it's a husband and wife partnership, I want to meet with both. If there's a succession plan in place, include the next generation. Often everyone plays a specific role.

Many times I've met with a customer and asked a financial question only to hear, "You'll have to ask my wife/son/daughter-in-law, as they look after that part of the operation." Alternatively, I've met with someone who knows the financials inside and out, but doesn't necessarily make the management decisions.

Having a well-prepared financial plan is also key. This should include production plans, current balance sheet information, and recent income and expense numbers. And give some thought to how this purchase or project fits into your short-term and long-term plans.

If I know what the immediate needs of the farm are and where the farm plans to go in the future, it's much easier to make sure we're building the right solution.

DALE SNIDER
Senior Relationship Manager,
Agribusiness and Agri-Food
Farm Credit Canada, Guelph, Ont.

I'll answer this question from the point of view of agri-food and agribusiness companies applying for a new loan particularly as it relates to value added endeavors. There are key ingredients to helping FCC develop a complete financial solution (short- and long-term) and foster success for both parties:

- Company: details of history, core business(es) and of the request (source and use of funds)
- Management: ownership structure, management team bios, governance and regulatory compliance requirements, human resources (staffing details)
- Materials: source of materials (historical cost, supply challenges, foreign content) plus operational processes and capacity
- Markets: overview of marketing plan and strategy, counter-party risk assessment (top 10 customers and per cent of sales), domestic and international sales breakdown with overview of risks (shipping, shelf life, foreign exchange controls)
- Money: financial management and controls, three-plus years of financial statements, forecast statements for the next two years with commentary and listing of assumptions, sensitivity analysis
- Give your FCC relationship manager the chance to meet with the CFO and CEO (if available), and tour the main site (if more than one site, details can be determined)

PHILIPPE MARTEL
Senior Relationship Manager
Farm Credit Canada
Drummondville, Que.

The level of preparation required for the loan application process is a function of the complexity of the project involved.

I'd say the starting point is to identify the overall vision and goals. It's fundamental because it allows you to determine the key objectives and steps to be accomplished over time in order to build the business you want.

It's critical to take the time to talk things over with your relationship manager and lay the foundation for a relationship of trust.

To prepare properly for a meeting, your discussions and business plan should include the following: a description of the project, the skills and abilities of the owners and management team, an analysis of the market and the competition, financial analysis, and the budgets and assets in place or needed to execute the project.

Sound intimidating? The important thing is to proceed step-by-step – and be willing to consult professionals who can support you. ■

Download: Find practical tips for building a long-term relationship with your lender in Working With Your FCC Team. | **fcc.ca/LoanTips**

Understanding FARM FINANCIALS

Income statements and balance sheets are basic financial tools that drive business decisions. One summarizes business operations, while the other is a snapshot of assets, liabilities and equity.

How income statements work

An income statement shows the revenues and expenses over a specified time period that resulted in either a profit or loss for the operation.

For example, a livestock producer will capture sales, changes in inventory values and the sale of capital assets as revenue. Wages, feed, insurance and interest are recorded as expenses. Other non-cash expenses can include the depreciation of capital assets, such as farm equipment.

Farm managers rely on income statements to review operational efficiency and will make changes as needed, such as reducing costs. They can also compare their statement to the expected profitability of agriculture overall to identify potential challenges their value chain partners might face.

The income statement will reveal if production and the bottom line are growing simultaneously. Showing a net profit here can support the operation's position when discussing future strategy – such as expansion plans – with key stakeholders and financial advisors.

How balance sheets work

A balance sheet details the assets (what a business owns), liabilities (what it owes) and owners' equity (net worth, the value of investments made). It captures a single moment in time, detailing the financial health of the business.

Assets are classified as current or fixed:

- Current: cash, prepaid products or services, accounts receivable and inventories available to be converted to cash during one normal operating cycle (usually one year)
- Fixed: resources needed to sustain long-term business activities, including buildings, land and equipment

Liabilities are either current or long term:

- Current: inventory, supplies or equipment purchased on credit to be paid in the upcoming operating cycle
- Long term: mortgages and long-term loans from financial institutions or others

Use the balance sheet, in combination with the income statement, to determine four components of financial performance:

- Profitability (ability to generate a return on equity)
- Liquidity (ability to meet current financial commitments)
- Solvency (ability to repay long-term debt)
- Efficiency (competitiveness of an operation)

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How is your farm financial fitness? Learn more at **fcc.ca/AgEconomics**

4 simple steps that protect your personal info

BY PETER GREDIG

Protecting your personal and professional information in an online and mobile world is really no different than protecting your house and vehicles. Security can be as simple as locking the doors, or as elaborate as monitoring and alarm systems.

The first step is a mindset that identifies the exposure, risk and management of your information whenever it's requested.

❶ STOP GIVING AWAY YOUR PERSONAL INFORMATION

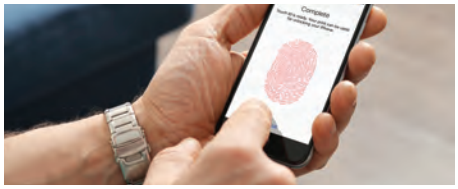
Step one is easy. Stop giving it away. A common and effective way to get people's information is to simply ask for it, whether buying at a retail cashier, joining an online group or through email. Because we are polite or in a hurry to get to the objective, we often just give it up.

You can say no – especially if it's hard to see how the service or transaction requires the information. I don't need to share my full address to buy a pair of pants. And don't share or provide personal information using email.

❷ CHECK YOUR MOBILE APP PERMISSIONS

Mobile apps also have implications for personal data. Many force you to accept certain permissions (access to contacts, photos, GPS location, etc.) to download the app. In many cases, the permissions have nothing to do with the app's functionality.

It's a good idea to go to the permissions settings for each app after you've downloaded it and opt out of any you're uncomfortable with. Do this with new apps and for any you already have.



❸ REVIEW YOUR SECURITY AND PRIVACY SETTINGS

While we're talking mobile, make sure your smartphone locks automatically when not in use. If you lose your phone, anyone who finds it shouldn't be able to gain access. Many new smartphones have fingerprint authentication, which is better than a simple passcode or swipe pattern.

Each social media platform has a privacy and security policy. If you're going to use social media, you should know what is being collected and shared. If you use Facebook extensively, take the time to review and understand the privacy settings to make sure you're comfortable. It is a powerful data collection machine.

❹ USE STRONG PASSWORDS AND THE LATEST SOFTWARE

The Internet of Things (IoT) is upon us and computing technologies are imbedded in household appliances and systems, alarms and controls, and various home automations such as lighting. Stories about connected baby monitors, thermostats and security cameras being hacked are concerning.

Do the following to improve IoT security: change the router's factory default password immediately, ensuring it's a strong password; update firmware on a regular basis; and if the device must be directly accessible over the Internet, segment it into its own network and restrict access.

Protecting yourself from data or identity theft doesn't have to be complicated. But it is something we all need to address in an increasingly connected and digital world. ■

VIDEO: The Cloud and Why You Should Use It | **fcc.ca/Cloud**

Annual increases in Canada's farmland values lose steam

There's a welcome slowing in the rate at which Canada's farmland is increasing in value, according to the FCC Farmland Values Report released in April. The 2016 national average was an increase of 7.9 per cent, compared to 10.1 per cent last year and 14.3 per cent in 2014.

"Levelling out of commodity prices and some challenging weather conditions may have taken some of the steam out of farmland values, and hopefully this moderating effect will turn into a trend," says J.P. Gervais, vice-president and chief agricultural economist at FCC.

In Alberta, the average value increased 9.5 per cent, despite an economy hurt by depressed oil and gas prices. Prince Edward Island experienced the highest average increase at 13.4 per cent – cultivated land increased in value in all areas of the province as farming enterprises look for additional acres for rotation cycles and feed production.

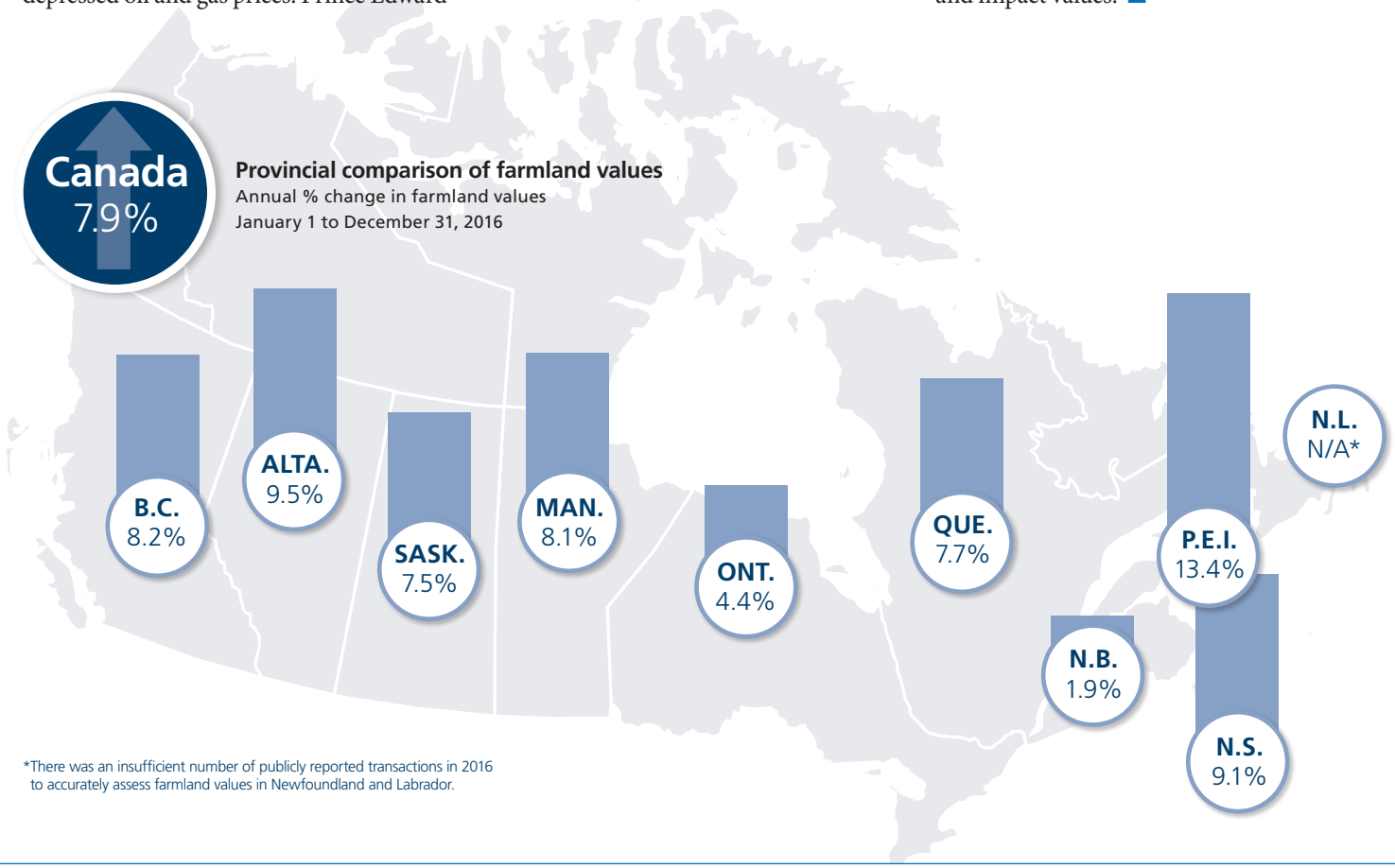
Slower growth

Demand for agricultural products from Canada remains strong at home and abroad, Gervais says. "A healthy agriculture sector, supported by a low Canadian dollar and low interest rates, helped sustain increases."

Gervais cautions against over-confidence, however, noting that crop receipts have increased at a slower rate than farmland values over the past few years. "Although we have just come off of several years of record farm receipts, agriculture is a cyclical business and producers should always plan for different market conditions."

Multiple factors

Price is only one factor that must be considered when purchasing land. Others include location, timing of an expansion and specifics of the operator's financial situation. And, budgets need to have room to flex if prices or trends shift, as market conditions and trends can change rapidly and impact values. ■



*There was an insufficient number of publicly reported transactions in 2016 to accurately assess farmland values in Newfoundland and Labrador.

Dig into the full report, view the video and see a recorded webinar featuring J.P. Gervais at **fcc.ca/FarmlandValues**

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