

NOVEMBER 2019

# AgriSuccess

Solonenko  
brothers are  
making the  
**family proud**



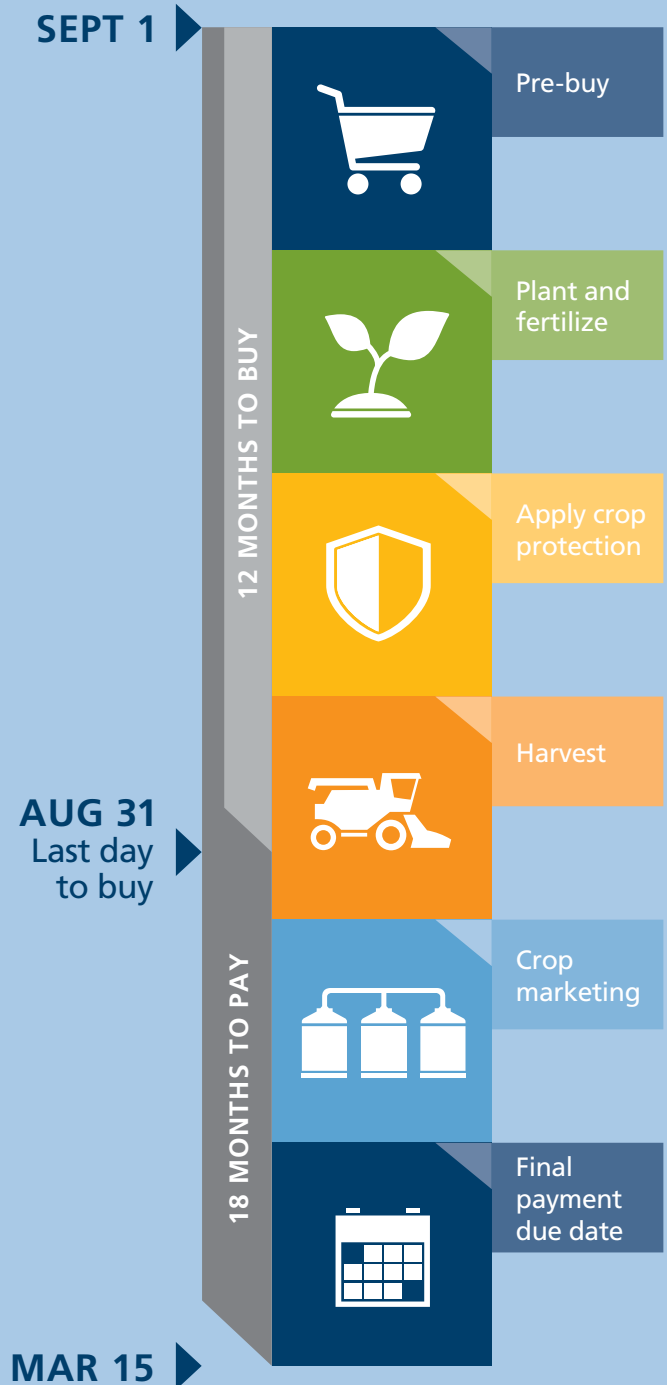


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With pride in agriculture and a positive yet realistic outlook, AgriSuccess is dedicated to helping Canadian producers advance their management practices. Each edition aspires to present content that is:

- engaging
- motivational
- innovative
- actionable

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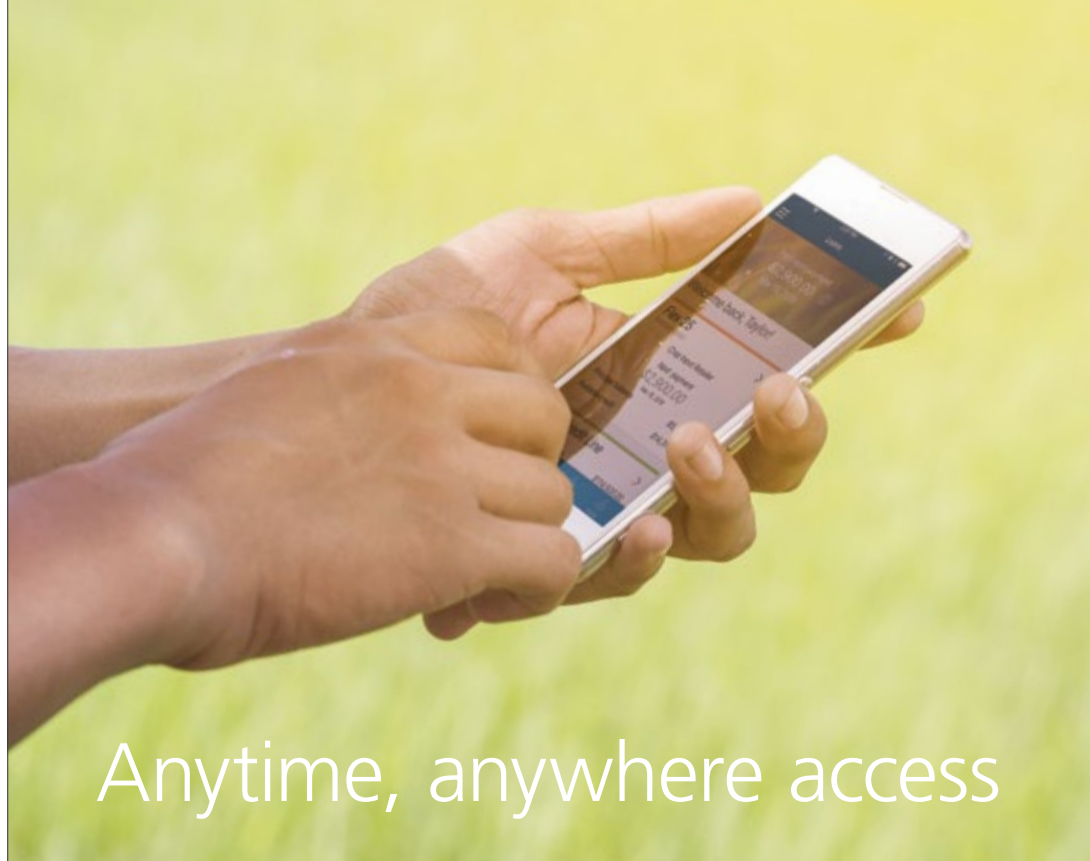
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# Anytime, anywhere access

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# Understanding changes in depreciation

BY LORNE McCLINTON

If buying a major capital asset is in your future business plans, consider making your purchase sooner rather than later. The clock is ticking on the Government of Canada's time-limited accelerated Capital Cost Allowance program.

Producers have only four more years, until December 31, 2023, to take full advantage of provisions that allow them to triple the amount of a capital asset expenditure that can be depreciated in the year of purchase. The program is scheduled to be slowly phased out between 2024 and 2027.

Canadian businesses have long been accustomed to using the Capital Cost Allowance (CCA) program to write off the cost of investing in capital assets for their business at varying rates depending on the class of the expenditure, says Grant Griffith with MNP in Winnipeg, Man. For example, if a farmer traded in a \$100,000 tractor to buy a \$400,000 tractor, they could depreciate the \$300,000 net difference over time.

“Under the old CCA rules you could deduct 30% of the net value of the tractor, on a declining value basis, over time except on the year you bought it,” Griffith says. “The first year, the half-year rule was applied, so you’re only able to claim 15% depreciation.

Under the new rules, in effect since November 2018, farmers can now claim 45% depreciation that first year. Then, under both old and new rules, depreciation would revert to 30% of the declining value basis for subsequent years.”

The accelerated CCA rules introduce another calculation for producers to consider when they decide whether they should lease or buy new capital assets, Griffith adds. Every operation will need to look closely to see which pathway will best suit their business's needs.

The new rules also allow for 100% of the capital expenditures for manufacturing and processing equipment as well as green energy investments to be written off in the year of purchase, says Kathy Byvelds with Baker Tilly Canada in Winchester, Ont. Vegetable producers could write off 100% of a new line of processing equipment. Dairy or hog producers could deduct 100% of a methane digester to generate electricity from their manure the first year as long as greater than 50% of the electricity generated is consumed by the farm business. The changes also keep the business tax structure in Canada in line with changes in the United States. ■







# Solonenko brothers are making the **family proud**

BY BERNARD TOBIN





Many farmers struggle with transition. Loosening the reins on the family business and turning over control to the next generation is a difficult process for many families.

That wasn't the case for Dennis Solonenko. He relished the idea of his two young sons taking active leadership roles on the family's Stornoway, Sask., farm. As their boys grew, he and his wife, Sylvia, were delighted as both sons, Cortney and Devin, eagerly consumed every farm management challenge their parents set on their plate.

### Early enthusiasm, early leaders

"I started showing interest when I was 12," Cortney says. "That's when [Dad] started talking to me about fertilizers and sharing little tidbits to get me interested." When he was 19, Cortney was asked to manage the farm's crop rotation, and before long, he and Devin were given responsibility for assessing equipment needs. "As we expanded in 2003 and 2004, we decided to buy a fourth combine. We looked at the payments and he asked us if we needed it and should we buy it." The boys said yes. Their father agreed.

Dennis also brought his boys to farm auction sales. "He would explain that often the dad ran the farm and something tragic happened, and the kids didn't know how to run the farm or there was no succession plan." Cortney says his father didn't want that to happen to them – he was determined to empower his sons and have them ready to run the operation.

### Seamless transition despite tragedy

In April 2013, Dennis Solonenko died in a work accident. He was 63.

No one can prepare for such a tragedy, but Dennis had trained his sons to move forward. When their father passed, Cortney, 33 at the time, and Devin, 29, were running the 12,000-acre farm.

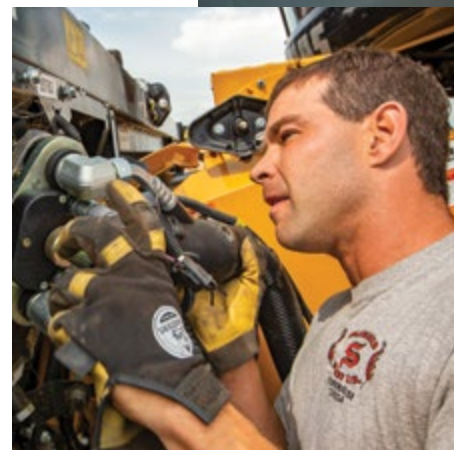
"By 2013 Dad had pretty much given us the reins," Devin says. He and Cortney team up to give the farm a strong management partnership. Overall, the brothers share management duties, with Devin taking the lead on farm operations, including storage and trucking, while Cortney takes the lead on financing, marketing and employee management.

They both have strengths they bring to the overall management of the farm. "We sit together, meet and discuss things and then go forward," Devin adds.

After their father passed, the brothers expanded aggressively, pushing the farm to 20,000 acres. Keen as they were to grow, Cortney admits much of the new land they were adding wasn't always the best and hadn't met their revenue targets. Today, S & D Solonenko Farms Ltd. has settled in at 16,500 acres with a tight focus on optimizing crop production on each acre.

### Committed to the future

Carrying on after their father died was difficult for the Solonenko brothers. It was their dad's confidence in them, Cortney says, that allowed the brothers to flourish and be prepared to run the farm.



The brothers also continue to heed their father's commitment to technology and innovation. On the crop side, Cortney believes diversity is good for the farm and the business. Adding new crops to the mix, like corn, soybeans and peas, as well as different varieties of wheat and canola, has helped diversify crop rotation and manage risk. They've also had luck with faba beans, which have produced strong revenue.

Devin says the family's commitment to continuous learning has played a key role in the farm's success. "Dad always liked to try new stuff." Dennis was a big believer in crop innovation and always worked with companies to establish test plots to evaluate the management technology, including everything from machinery to seed and crop protection products.

Testing technology on the farm is a great way to determine whether it's a good fit and provides an adequate return on investment, Devin says. This year the Solonenkos will be anxiously awaiting results from a plant growth regulator trial. Although it may be difficult to evaluate the technology under early 2019's dry growing conditions in their area, they decided to test it in some wheat.

### Push for responsibility

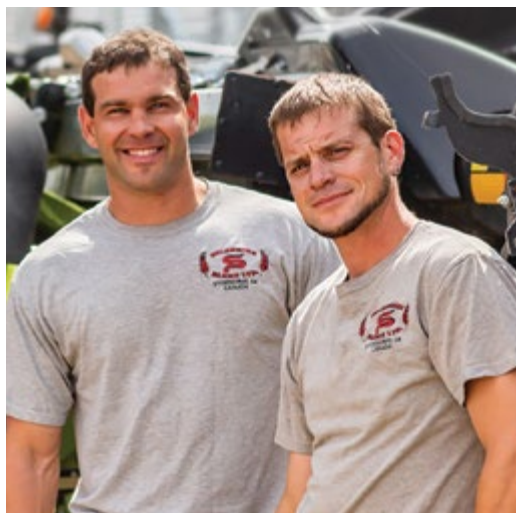
Cortney doesn't consider himself a farm transition expert, but he believes young farmers have to make sure they're involved in the farm. Because not every parent has the same philosophy Dennis did, "it's important to show them you're responsible and you want responsibility." It's also necessary for the next farm generation to be patient. "Take it one day at a time and just push a little bit more to get more responsibility."

As parents, the brothers intend to follow their father's path. Between them, they have three children ranging from four to 13 years of age. "They'll be encouraged to get involved in the farm. They'll be given responsibility and by the time they reach 16 or 17, they usually know if that's what they want," Cortney says. "Just like Dad, we'll start them young."

### Conversation, communication is key

Cortney's last word of advice is communication. He believes it's vital. "When you look at the relationship my brother and I have, we don't have all the same interests, but we're always involved. When I make the seeding plans, we meet and figure it out. We do the marketing together. We do the big purchases together – we're always talking. We're always communicating."

Managing the farm and preparing for transition is a conversation they started with their father, and they plan to continue it for generations. ■





# Weed control with high-temperature steam

BY KEVIN HURSH

A couple of times in this Game Changers column, I've written about the need for alternate weed control methods. With the rapid increase in herbicide resistant weeds and a public increasingly wary about agricultural chemicals, herbicides are no longer a silver bullet to solve all our weed problems.

Partly because of those columns, organic farmer Ron Gleim of Chaplin, Sask., an old acquaintance, asked if I wanted to be part of a new venture. Gleim has invested his own money to conduct research proving that high temperature steam can be used for non-selective control of vegetation.

This approach is used in some small-scale orchard and vegetable production, but Gleim believes it can be scaled up for use in field crop production through a process he has patented.

Dubbed the X-Steam-inator, the novel sprayer uses electricity to generate steam in a shrouded boom to rapidly kill plant growth.

Organic farmers attending the product launch at Canada's Farm Progress Show in Regina back in June were excited by the potential to have weed control options beyond tillage, but the technology should also have a place in conventional agriculture.

Rather than herbicide tank mixes to control weed growth prior to seeding, steam could do the job. Generating the electricity through some combination of diesel power and high-tech batteries, it's intended to cost far less than herbicides.

Water use is substantially lower than the volumes used for herbicide application. A small amount of water produces a lot of steam. However, the water will typically have to go through a reverse osmosis system to remove mineral deposits.

With proper guidance and shrouds, the intent is to design a system for weed control between crop rows. It may also be possible with precise control of the steam temperature and the proper application methods to desiccate field crops prior to harvest without affecting the quality of the grain.

At this point, although the concept has been proven, there are more questions than answers. A great deal of testing is required to determine the interaction between steam temperature, travel speed and the density and type of weeds to be controlled.

It will be at least 2021 before commercial units are widely available for purchase. The plan is to start with a pull-type model and then develop a self-propelled version. It may also be feasible to fit units to the front of seed drills to kill weeds as a crop is planted.

Stay tuned. I believe this approach could have widespread ramifications for agriculture, including cost savings, and as a potential tool to manage herbicide resistance. It's said that necessity is the mother of invention, and there's certainly a necessity for new ways to attack weeds. ■

# Bright minds at Dalhousie University's faculty of agriculture

BY OWEN ROBERTS



## Brooke McNeil

**Program:** Bachelor of agricultural science

**Hometown:** Hantsport, N.S.

**Where do you see yourself in five to 10 years?**

I plan to have completed my masters in an area of animal science, focusing on cattle. I see myself living in rural Canada, in a career in animal agriculture,

preferably with cattle. I'm interested in dealing with health, nutrition, or management practices through extension work or a company. I plan to start a family and have a farm, primarily with cattle (dairy or beef), and other animals such as sheep or goats, horses, chickens – and of course, some dogs! I also see myself continuing to be involved in organizations such as 4-H and Young Farmers.

**Why did you choose this path?**

I have always been a huge animal lover, and through 4-H I was introduced to agriculture. My experience in 4-H contributed greatly to my decision to attend Dalhousie, where I found my passion. I've learned so much and had so many great opportunities including working at the campus farm and doing an honours project. Feeding the world's growing population is a huge topic right now. Animal agriculture provides quality, nutritious products, and can contribute greatly.

**What tips do you have for others?**

Working hard really pays off. Dedication and perseverance while working on the farm, doing schoolwork or any other endeavour has been instrumental in helping me to achieve my goals. But, no matter how busy life gets, always make sure to take breaks and look after your health. I've found that neglecting any of these leads to feeling run down or overwhelmed, which causes stress and decreased productivity. Also, it is so important to do what makes you happy. I love learning about, and working with, animals so much – often it doesn't even feel like work.



**DALHOUSIE  
UNIVERSITY**

## Dalhousie's faculty of agriculture:

- Is located in Bible Hill, N.S. (just outside Truro)
- Has a working farm with 1,000 acres of research fields, gardens and greenhouses
- Began in 1905 as the Nova Scotia Agricultural College, joining with Dalhousie University in 2012





Brooke McNeil



Katie McCallum



### Katie McCallum

**Program:** Master of science in agriculture

**Hometown:** Tabusintac, N.B.

**Where do you see yourself in five to 10 years?**

Agriculture is an exciting industry that's full of opportunities. I see myself working in it, hopefully in extension work with field crops.

Because I grew up on a farm,

I really relate to farmers, and my education will give me the skills I need to help them. I'm interested in how farmers can access and utilize research and how to make it more applicable to them so they can be productive and sustainable. Transferring the knowledge learned through research back to farmers is a large part of my master's work.

### Why did you choose this path?

My interest in plant science combined with the reassurance of a growing industry is largely why I chose this path. I chose to study at Dalhousie because of family connections, my interest in the plant science program and the appeal of a close-knit campus. My three siblings attended this university and we've all taken different paths in agriculture. One of my favourite parts about agriculture is its versatility. I like how I can pivot and go in many directions.

### What tips do you have for others?

I recommend taking every chance possible to connect with others on campus and in the industry. There are numerous opportunities for collaboration that will allow you to gain experience and set you up for a successful career in the agriculture industry. I was most interested in plant science but taking a variety of courses outside this area allowed me to gain a better understanding of the connectedness of agriculture.

- Is now the third-oldest academic centre for agriculture-related science and research in the country
- Has programs that combine the core disciplines of agricultural sciences with business management and innovative technology, preparing students for the numerous paths agriculture has to offer
- Is ranked among the top 150 universities by QS World Rankings (2018) in the area of agriculture and forestry
- Has a faculty with 1,000 students enrolled in bachelor's, master's and diploma programs, in the departments of plant, food and environmental sciences; business and social sciences; animal science and aquaculture; and engineering ■

# Lessons from Canadian hen housing's major overhaul

BY KIM SHEPPARD

**"Change is the only constant in life."  
– Heraclitus, Greek Philosopher**

For millennia, this adage has held true in agriculture. Farmers regularly adjust to weather, trends, technology, trade agreements, global production and consumers' evolving preferences.

But sometimes, a change comes into play that makes us rethink everything – and this is what egg farmers across Canada are managing right now.

Early in 2016, Egg Farmers of Canada (EFC) announced that, on behalf of more than 1,000 Canadian egg farms, they would begin a co-ordinated, market-oriented transition away from the conventional egg production housing systems. EFC opted to instead use enriched, free run and aviary systems to house laying hens.

The move was based on the demands of customers (grocers, restaurant chains and consumers). Eggs produced in higher-welfare housing systems allow hens greater freedom of movement and enrichments like nesting areas, perches and foraging opportunities. The transition will occur gradually over 20 years, reaching completion in 2036.

Egg farmers have already started building new barns and retrofitting old ones. They've had to adjust and embrace the change to succeed. And whether they are using the term or simply living it – this is "change management."

One of the world's foremost authorities on change management is Dr. John P. Kotter, Konosuke Matsushita Professor of Leadership, Emeritus, at the Harvard Business School.

The advice in his book *Leading Change*, including this eight-step change process, is accepted across industries and helps achieve successful transformations for businesses.



Executing these steps well, in the context of a farming operation facing major change, could mean the difference between mediocre performance (or failure) and a stellar performance. Whether it's a matter of moving from one housing or milking system to another, or adding new land, crops or species, following these eight steps can elevate the outcome. So how is it done, and how have egg farmers been doing this?





### 1. Establish a sense of urgency

Ensure all family members and employees know that a change is planned, and without it, the business may suffer or even shut down. Urgency should be well-established. For example, new housing for hens isn't an option, it's a mandate. Farm management needs to buy in for the next steps to work well.

### 2. Create a guiding coalition or working team

Decide who will help implement the change. For any farm, they are the leaders who will help with sourcing and purchasing. They will research logistics on the new way of operating, train employees, work on marketing and price new equipment.

The coalitions on egg farms must decide on new housing types and equipment that can present greater challenges: higher dust levels, potentially higher levels of feather-pecking and more labour to move birds out at the end of a production cycle.

### 3. Develop a vision and strategy

With key players and details sorted out, a vision and a strategy should be created for what success looks like. Ensure the coalition can describe a successful future and develop a strategy to get there.

### 4. Communicate the change vision

Because success hinges on how the vision is executed, communicate frequently and tie in every aspect of the operation. Egg farmers need new housing sourced, built and performing well – ensuring high bird welfare and human health, minimal environmental impact and sustainability of egg production and pricing.

### 5. Empower employees for broad-based action

With a strategy and structure in place, check for barriers, and remove them. Obstacles could be emotional (nostalgia or resistance) or situational. Dealing with situational barriers quickly helps empower everyone involved in executing the vision and keeps change moving forward.

### 6. Generate short-term wins

Success in the face of major change doesn't have to focus on one long-term goal – successes should start small and all should be celebrated. It could be an equipment delivery, installation or the first shipment of eggs from a new system. This is a "We did it!" moment.

### 7. Consolidate gains and produce more change

Take those small wins and build on them. Identify what went right and what needs improving, essentially consolidating gains and producing more change. Don't declare victory too early – many failures are caused by this trap.

### 8. Anchor new approaches in the culture

Finally, anchor new approaches in the culture of the farm. Make your ideals known to everyone: family, staff and your customers. Don't forget your original change coalition – recognize and reward their efforts, and carry their vision forward, always improving. Make sure your entire team feels proud of the results. And never lose sight of why the change was implemented in the first place. ■

# Planning for the worst-case scenario

BY KIERAN BRETT

We asked a farm insurance executive and two farm management consultants to share their best advice on how to protect your operation in the event of disaster.

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No one likes to think about it, but everyone knows it can happen. A catastrophic fire, a devastating flood, a runaway disease outbreak or the death of a family member. All can throw a farm enterprise into a state of crisis. Who'll run the farm? How will short-term financial obligations be met? How can debt be serviced when revenue slows or stops?

The stakes are rising. Weather-related insurance claims in Canada now routinely surpass \$1 billion per year, compared to just \$400 million in 2008. That's according to Steve Johnston, senior director, national farm product, with The Co-operators in Guelph, Ont. Meanwhile, claims for property losses are rising in size. "Farms are becoming larger, more complex and fewer in number," Johnston says. "Today's larger farm structures often have robotics and other technology, so when you have a fire, it's more meaningful."

## Build financial resiliency

Paul Hammerton, farm management consultant with MNP in Swift Current, Sask., has advised clients on risk management and mitigation for 12 years. He believes that when disaster strikes, there's no substitute for money in the bank or assets that can be readily sold.

"The best protection against disaster is wealth," Hammerton says. "The better financial condition you're in when a disaster occurs, the better you'll be able to get through it."

## Disaster-check your farm business plan

Terry Betker, president of Backswath Management in Brandon, Man., urges producers to make disaster planning part of their overall approach to management. "Identify all the potential risks that could impact your farm," he says. "Score these risks for probability and impact. Give those of higher probability or greater potential impact your careful attention." He recommends the risk assessment exercise available from the Farm Management Canada website.

## Keep your lender close

If disaster strikes, your lender will want to help. "We advise our clients to maintain that relationship in a proactive manner, by keeping your banker informed of what you're up to," MNP's Hammerton says. "We've even seen clients in a relatively weak financial position maintain the confidence of their banker in this way."





## Work through the scenarios, follow the money

What if the worst happens, and farm cash flow plummets or even stops? What steps, in which order, will you take to maintain operations and service any debt? “I suggest farmers explore a theoretical debt restructuring exercise,” Betker says. “The first step might be to tap available working capital. But take it a few steps further and consider whether you’ll sell assets, and which assets you’ll sell.” This decision framework goes in the disaster section of your business plan and can be referred to if needed.

## Insure appropriately

As Johnston explains, insurance is available to cover many of the worst-case scenarios a farm business can face: damage to or destruction of dwellings, machinery and structures; business interruption, disability or death. By working through risk scenarios with a qualified advisor, a family can get the business and personal coverage that’s right for them. “Everyone’s unique, with a different risk appetite,” Johnston says. “Whether the farm is a family operation currently planning for the next generation or owned by a corporation, many factors determine what protection might be needed. We’re in business to help manage risk.”

## Keep your management tuned

In Hammerton’s view, one of the most effective ways to mitigate disaster risk is through good farm management. “Producers with realistic production targets, a sound crop rotation, sound

management of animals – these strong managers mitigate risk on their farms,” he says. “If finance is the framework for risk mitigation, production and management hang on that framework.”

## Directly address the risks you can

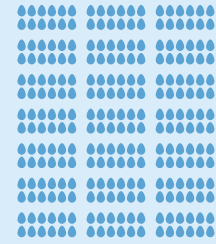
Even when cash reserves or working capital are strong, or insurance is in place, the job of risk mitigation isn’t done. As Johnston advises, do what you can to prevent a disaster from occurring in the first place. “Continue to remain vigilant,” he says. “Ensure your electrical systems are inspected, ventilation is adequate, and monitor seasonal considerations like barn temperature and humidity.”

When Backswath Management’s Terry Betker speaks at farm management conferences, he asks farmers this question: “Who here has a legal will?”

“Most hands go up, which is good,” Betker says. “I’ll then ask, ‘Does your will reflect your current wishes and family situation?’ Lots of hands go down. There’s thinking you’re ready, and there’s knowing you’re ready. I advise clients to address disaster planning each year, or at least every two or three years. Understand the risks you face and know how you’ll manage those risks.” ■

# QUICK FACTS ABOUT EGGS

Canadians ate over **21 dozen eggs per person** in 2018. This trend has been increasing for the last 10 years.



The most popular laying breed in Canada is the **white Leghorn**.

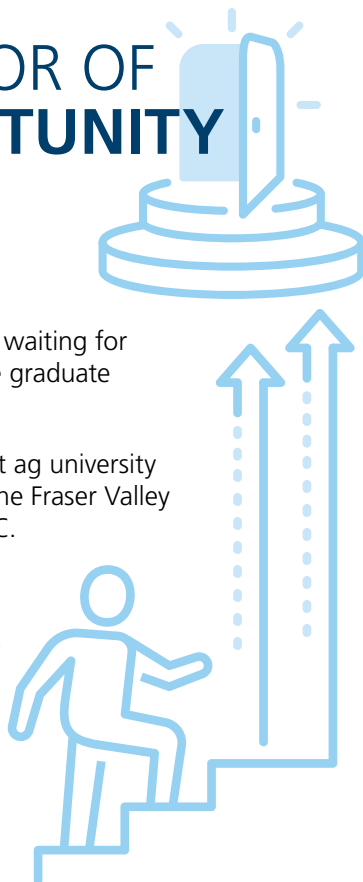
One egg contains **six grams of protein** and **14 essential nutrients** like Vitamins A, D and E, folate, iron, zinc and choline.

Sources: Agriculture Canada poultry and egg market information; Egg Farmers of Canada

## A SECTOR OF OPPORTUNITY

Did you  
know?

- There are 4 jobs waiting for every agriculture graduate in Canada
- Canada's newest ag university is University of the Fraser Valley in Chilliwack, B.C.
- 34 Canadian educational institutions offer on-campus agriculture courses



Sources: University of Guelph; Country Guide; Hot Courses Abroad

## GETTING READY FOR **YEAR-END**

Reduce year-end accounting stress by being prepared!

- ✓ Reconcile your accounts
- ✓ Record all your business expenses
- ✓ Collect on outstanding invoices

See your accountant before year-end so you can make important planning decisions that could save you money.

Source: FBC.ca



## VERTICAL GAME-CHANGER?

Climate change and producing more with less are driving a boom in vertical farming.

The global vertical farming market is estimated to reach **\$13.3 billion** by 2025.

### What's a vertical farm?

Vertical farmers grow crops entirely indoors, controlling air, light and nutrients. Plants grow in stacked trays or in horizontal rods in soil-less media.

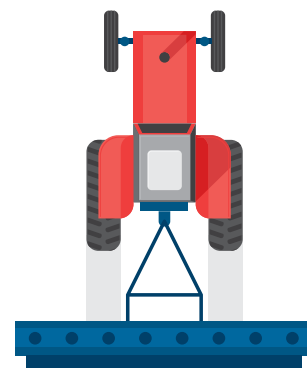
Source: AlliedMarketResearch.com

## WHO IS WORKING ON CANADA'S FARMS?

Temporary foreign workers are helping to fill agriculture's labour gap, especially in **horticulture**. This sector employs more than **80% of foreign workers in Canada**.

**Ontario** and **Quebec** are home to **72.4%** of all jobs filled by temporary foreign workers in Canada. Just over half of all temporary foreign workers come to Canada from **Mexico**, followed by **Jamaica** and **Guatemala**.

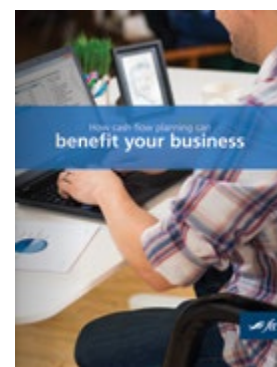
Source: Statistics Canada



## CASH REALLY IS KING

Cash is the lifeblood of a business, and a cash flow management plan can help you weather day-to-day as well as fiscal ups and downs. FCC's Cash Flow Planning Guide will get you started. Visit [fcc.ca/LoanEssentials](https://fcc.ca/LoanEssentials).

Source: Farm Credit Canada



# Running a **business** within a business

The following fictional case study was created by MNP

The Smith Farms Ltd. grain operation is owned 50:50 between brothers Norm and Doug Smith. They incorporated 20 years ago, and today, Norm and Doug each have a son involved in the grain operation. Norm's son Steve has focused on field operations and grain marketing. Doug's son Adam is the equipment and technology manager and looks after all equipment purchases, maintenance and technology used on the farm.

During the off-season, Adam started manufacturing kits that make it easier for farmers to pull seed tenders from field to field behind seeders. Neighbours found out about the kit, overwhelming Adam's capacity. To meet demand, farm employees were put to work manufacturing and more welders were hired. A simple website and some social media posts describing the product resulted in orders from the U.S. and even Australia.

The issue facing Smith Farms is how to structure this new business. With increasing revenue and the need for more staff and a larger manufacturing space, how can they keep things equitable and keep the farm as the priority? Should they

create a subsidiary or a separate company for the manufacturing enterprise?

There was a blow up between Adam and Steve during harvest when a farm employee was called away from the field to help in the shop. "Are we welders or are we farmers?" Steve asked. It was time to tackle the business structure and lay the ground rules for keeping the peace.

A meeting with their accountant identified the decisions that needed to be made. He first challenged the Smiths to ask themselves, "Does the new enterprise fit the strategic direction of the family and the farm business?"

The accountant advised that it's critical all parties involved agree on the mission, vision and values. To date they were reacting to unexpected demand, but both generations involved in Smith Farms needed to consider why they were in this new business, predict future growth opportunities, identify how they would each contribute, and share their thoughts and opinions.

If they all agree the manufacturing enterprise is something to pursue, the next key decision is the structure of

ownership. The accountant advised that at least 90% of the assets must be used in the farm business to retain status as a qualified farm corporation. This is important as it allows for tax-deferred rollover of Smith Farms Ltd. shares to the next generation. With the new enterprise growing, there's a danger the farm wouldn't meet the 90% requirement. In addition, Adam would need to show he's actively involved in the day-to-day operations on the farm to allow his shares in the farming company to roll to the next generation.

There are other issues: sharing employees and using the farm equipment shop as a manufacturing facility is an obvious red flag. Also, there's a different level of liability between farming and selling manufactured products and employing larger numbers of people. Property taxes can be impacted if a non-farming business is established on farm property.

After more discussions with their accountant, the Smiths decided it made sense to move the new enterprise into a separate company. The dads wanted to support the new business, but not be part of ownership. Adam and Steve would



## Ask yourself: “Does the new enterprise fit the strategic direction of the family and the farm business?”

start a new, separate company and would look for an existing manufacturing facility in town. The farm would provide some start-up capital with defined payback terms and conditions.

Adam and Steve sat down to define their roles in the farming and manufacturing companies. Adam committed to making the farm equipment maintenance and servicing a priority. Steve agreed to help with sales and promotion of the towing kit during the off-season. They also started working on an organization chart and a new compensation model for both enterprises.

As the process unfolded, Adam expressed relief that they had that blow up in the fall. It forced them all to address the realities of simultaneously running a growing new business and a stable farm operation. Norm and Doug found a way to support their sons without the stress of a new venture late in their careers. Adam re-established his commitment to the farm and Steve found a role that would make him relevant in the new company. ■

*MNP is a leading national accounting, tax and business consulting firm in Canada.*

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# How to **avoid** common year-end tax mistakes

What are some common mistakes farmers make at year-end, and how can they be avoided?



**JULIEN GRENIER**

Partner with Talbot and Associates, Winnipeg, Man.

I always look for what clients are missing. At year-end, that might mean checking if the optional inventory adjustment is being used properly. For farmers working on a

cash basis, this allows them to include income in the current year up to the total value of their inventory; so, if your inventory is worth \$500,000, you can include \$500,000 of extra income in the current year. The rest can be rolled over. This is useful if someone has invested in new equipment; it allows them to smooth their income out over time.

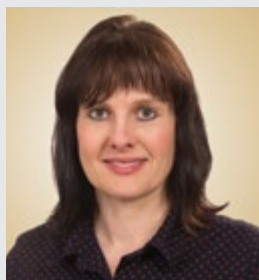
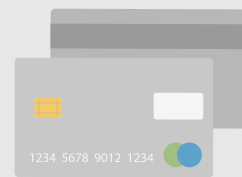
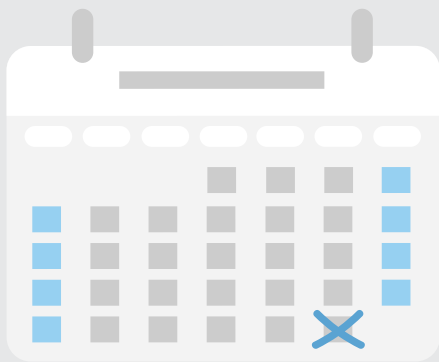
Planning for retirement can be another important topic at tax time. Farmers and farm families should develop a wind-down plan that accounts for their specific goals and, for those who might be taking over the business, setting them up accordingly. Consider the value of your equipment and what's left in the

depreciation pool. It's tempting to go after the biggest write-off, but that's not always the best thing for the long term.

Being mindful of farm structure is always important. There are benefits and drawbacks to incorporating. Just because a business might incorporate doesn't mean everything in the farm – specifically land – must go along with it. It's goal-dependent but retaining some personal ownership can be a good thing.

A lot of people aren't using AgriInvest and AgriStability. AgriInvest allows farmers to invest 1% of their sales – after production costs are subtracted – into a government account. The government then matches that investment dollar for dollar, only taxing it once funds are withdrawn. It's designed to help save money for difficult years, though is sometimes used as a savings account. I recommend producers discuss both stability programs with their accountant.





### SHANNON LUEKE

Partner with MNP, Humboldt, Sask.

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Align your tax management strategy to both personal and business goals – not the other way around. Target the level of profitability needed to achieve those goals. If the long-

term goal is to maintain a certain level of profit, the amount of tax you pay should be enough to maintain sustainable cash flow and profits, while keeping a targeted balance sheet.

It's important to consider tax strategies well in advance of year-end, particularly if a change in business structure is being contemplated. These changes often take months to co-ordinate. Get help from a trusted tax advisor to determine the proper facilitation of the right structure for both operations and asset holdings. The maturity of the farm, family member involvement, any entry or exit plans, and more should all be discussed.

Personal draws, where a farmer pays for something personally – rather than through tracked funds drawn from the farm – can be an issue in sole-proprietorships and partnerships. Whether financially significant or not, these can get lost since they're generally not accounted for as stringently as in the company itself. At some point draws will be taxed. Basically, if you have taxable farm income on your personal return that's less than personal draws, you've technically spent more than you earned. This can contribute to future cash flow and debt issues.

Land is an investment, not an expense. It requires tax-paid dollars to finance it, so if it's purchased personally, those principal repayments – as well as the down payment – are funded with personal tax-paid funds. Whether the purchaser is an individual or company, planning helps ensure payments are feasible from a tax perspective.



### ANNE VAN DELST

Accountant and Partner with GGFL, Ottawa, Ont.

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Succession planning and changes in business structure are often not part of year-end tax discussions – but they should be. Planning for the future is just as important at tax time

as the rest of the year. It can ensure farm families don't miss important deduction opportunities.

Part of good planning might mean effectively using the \$1-million lifetime capital gain deduction available to farmers when they sell or transfer qualified farm property; it bumps up the asset cost and will save taxes either now or on a future sale. Bear in mind if land is sold within three years, the parents may be paying taxes on the sale. It should also be noted that if a parent has passed away, the gains deduction can be claimed on their terminal tax return if it hasn't been used already.

Depending on how many people are involved in the farm, it also makes sense to implement structures to manage potential disagreements in the future. Prenups can also help make long-term tax planning more stable and secure.

Paying children and other family members who work on the farm is another thing to consider. Especially for children, paying fair wages for what they do and providing a T4 helps them learn to budget, teaches life skills and reduces the tax burden on farm income.

You can devise a strategy that spreads your tax burden out over time – instead of a small tax bill one year and a large one the next. How you report and recognize your income for taxes plays an important role. Consider cash basis for tax and accrual basis for the banks. Accrual-based accounting provides a more accurate look at how the farm is doing year after year. ■

# Focus on factors beyond the Bank of Canada

Many central banks have cut their policy interest rates as a response to a slowing global economy.

But the Bank of Canada policy rate isn't the only driver of interest rates for borrowers – in fact, for some loans, changes in the policy rate sometimes have little impact. The rate borrowers pay falls or climbs according to several factors, one being the cost of the funds.

Different loan types (such as variable or fixed rate) are based on costs that vary by the source of the money financial institutions acquire and then lend. Not surprisingly, the rates charged to borrowers also vary – most often in response to shifts in financial markets.

## The eternal debate: variable vs. fixed rates

### VARIABLE RATE

- When the policy rate changes, financial institutions follow suit with changes to the prime rate
- Interest rates on these loans are stated as a percentage above or below the prime rate

### LONG-TERM FIXED RATE

- Financial markets help determine the interest rates charged to borrowers for long-term debt (e.g., a five-year fixed rate mortgage)
- The rates charged on long-term loans rely on different benchmark yields such as the Government of Canada five-year bonds

Long-term fixed rates are usually higher than variable rates – but these borrowing costs won't climb as variable rates might over the term of the loan.

## How comfortable are you with interest rate risk?

We're at an interesting juncture for interest rates following the decline of long-term bond yields. The sector in which a farm operates, the strength of its balance sheet, the purpose of a loan, all combine to create different borrowing needs. There's no one-size-fits-all recommendation about which type of loan to secure.

Continuous assessment of operational finances remains key. ■

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# 5 tips for managing your email

BY PETER GREDIG

It's not that long ago that getting an email was actually kind of exciting – validating, even.

That was before the avalanche of e-newsletters, spam, notifications and unwanted email blasts started clogging our inboxes. One study found that on average, we are spending as much as 2.5 hours a day reacting to an average of 120 emails a day. Over 25% of our working day is spent on email.

Ignoring email for a few days means wading through a maze of messages to find those that are relevant. On the other hand, reacting to every email as it arrives is disruptive and distracting for yourself and those around you. Both approaches are productivity and efficiency killers.

Let's look at some empowering but simple steps you can take to get out from under those 14,000 unread emails languishing in your inbox. Full disclosure – getting on track with your email process is going to take a bit of time and effort, but this investment will pay back 100-fold in saved time.



## 1. Choose the right email service

Many of us simply accepted the email address we were given by our internet service provider. In my case, my internet provider was a small company called Amtelecom so my email address was pgredig@amtelecom.net. When my ISP changed to Eastlink, my old email address became obsolete. This is inconvenient and disruptive for a business email address.

Many people choose their own independent email service like Gmail or Outlook to maintain the same email address over time. There are other considerations when deciding where to set up your email accounts. Different email services offer a range of features and making the best choice depends on how you use email in your business and personal life. The amount of free data storage, how robust the spam filter is, the layout and ease-of-use are features that only you can assess. Gmail and Outlook are the two most common email service options but there are at least a dozen free services to choose from. An internet search to learn the pros and cons of each will help you make the right choice.



## 2. Organize your accounts

Most of us have more than one email account and there are different philosophies regarding how to best organize them to avoid wasting time or missing important messages. Some email services (Gmail, for example) allow you to forward emails from numerous accounts to one inbox so you can see everything that has come in by checking one file.

Some people like to have different email accounts for different purposes and intentionally keep them separate. One email address for social media, a different email account for work and another email account for personal communication with friends and family. This can be confusing but it allows you to prioritize which emails you engage with. If you are in work mode, you can focus on that account inbox and not be distracted by pictures from Italy sent by your college roommate.

## 3. Start fresh – delete or archive stale emails

If you have hundreds or thousands of emails sitting in your inbox, it's an overwhelming chore to go through them all and clean up the inbox. In general, emails older than one month are probably stale and can be deleted, but if you are nervous about doing that you can archive all of them so if you really needed to, you could retrieve them and find that specific message from four years ago.

## 4. Manage incoming email

A great spam filter is essential to pull unwanted emails from your inbox. You can also reduce spam by being diligent in “unsubscribe” to incoming content that's getting past your spam filter. It makes a big difference. Look for the unsubscribe link at the bottom of unwanted newsletters or marketing emails.

## 5. Discipline is required

There are many different strategies for email service set-up and account management, but most experts agree it's important to have a daily plan for email and stick to it. Being reactive to every email that hits your phone or computer is a time-waster – consider turning off or snoozing the notifications that show up on your phone or computer screen. A better approach is to set aside one or two dedicated times through the day to check and deal with the inbox. Try an hour first thing in the morning and 30 minutes after lunch.

The second level of discipline comes into play once you open the email. Once you've opened it, it cannot remain in the inbox! Force yourself to delete, archive, label or move the email so that it is dealt with one way or another.

These suggestions represent a starting point. Once you get more comfortable with the features available through your email service, you can create folders or labels to help you organize incoming emails and use specific filters to make your emails more searchable. Once you've decided on which email service to use, start looking into the features that will help optimize your email strategy. It may seem like a chore, but it's worth it. Especially if the experts are right about how much of our time is consumed by email. ■

# How our industry is making it safe to talk about mental health

Nobody knows where a ripple will end once it has been set in motion. When FCC and Do More Ag partnered together to provide Mental Health First Aid courses for the Canadian agriculture industry, there was no way of knowing that so many lives would be touched.

Hannah Konschuh, a grain farmer from Cluny, Alta., hosted one of the first courses – it was so popular it filled to capacity within a day of being announced. “I think that speaks volumes about the interest and need when it comes to resources around mental health in agriculture,” she says.

Dairy farmer Jessica Reeves of Kinkora, P.E.I., who teaches at the local high school and runs an agriculture diploma program there, hosted another. “This course, even the promotion of it, tells people it’s something we need to talk about. The awareness of the Mental Health First Aid course opened up a conversation. That’s the ripple effect that is bigger than the course itself,” she says. “We’re making it okay to talk about.”

One of those ripples helped boost industry’s support for their own. “My dad is on the potato board. He said that for the first time in 40 years at a conference there was a session about dealing with stress,” she says. “That’s a topic that would have never been on the agenda before ... how stressful it is to be a potato farmer on P.E.I.”

As for Hannah, she feels she’s already better equipped to help others and share what she’s learned. “Farmers need to have good health to run profitable, successful farms. The fact we can have this conversation is a positive step forward.”

The ripples continue – watch for a Mental Health First Aid course in your area this winter.

## 3 TIPS FOR TAKING CARE OF YOURSELF

### Take care of your body

Regular exercise reduces the symptoms of stress, depression and anxiety.

### Ask for and offer help

Learn to recognize when someone may be having a problem and lean in to help them. And ask for help when you need it yourself.

### Have some fun

At least once a week, indulge in an interest you can lose yourself in.

Adapted from hr.UBC.ca

## NEED MORE INFORMATION?

[domore.ag/resources](https://domore.ag/resources)

Do More Agriculture Foundation

[CrisisServicesCanada.ca](https://CrisisServicesCanada.ca)

1-833-456-4566

[fcc.ca/Wellness](https://fcc.ca/Wellness)

## CALL 9-1-1 IN AN EMERGENCY

Don’t hesitate. Trained first responders are available to help.



A man with short, graying hair, seen from the back and side, wearing a white t-shirt and dark suspenders. He is looking out over a vast, open field under a warm, golden sunset sky. The field is filled with low-lying vegetation, and the horizon is visible in the distance.

## Farming can be solitary work

Whether it's watching rolling fields from the comfort of your cab, or seeing your herd crest a hill from across the valley, there's something special about that time in the wide, open spaces.

But there's a difference between being and feeling alone.

Farming is an amazing way of life, but sometimes it can be as draining mentally as it is physically.

Make sure your well-being is a priority and talk to somebody if you or someone you know needs help.

Agriculture is rooted in strength – the strength to take care of our families and ourselves.

For more resources, visit [domore.ag](https://domore.ag).

**#RootedInStrength**



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