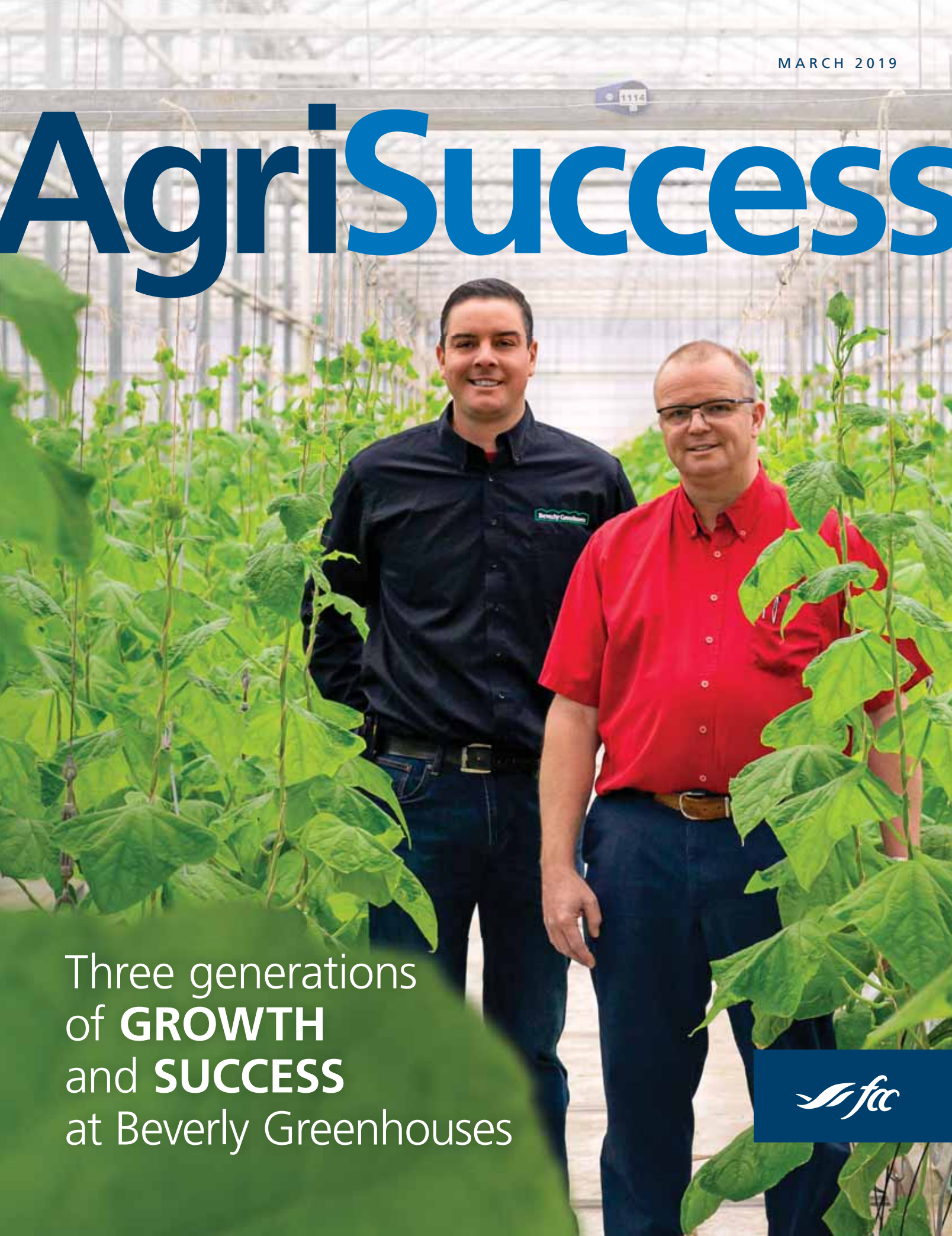
MARCH 2019

AgriSuccess



Three generations of **GROWTH** and **SUCCESS** at Beverly Greenhouses

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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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Researching for you and for me

One of the great things about being a farmer as well as an agricultural journalist is that you get to research and write about topics that have a direct impact on your farm. Such is the case with this edition's feature article on storing crops and whether that can make you money.

It's a topic close to my heart and pocketbook because a number of the crops in my region of southern Saskatchewan are seeing depressed prices.

Durum, which usually sells at a significant premium over spring wheat, is selling at a sizable discount due in part to Italy turning to suppliers other than Canada.

Lentil prices remain disappointing due largely to India withdrawing from the pulse market. I'm typically a large green lentil grower, but I didn't grow any lentils in 2018 due to the poor price outlook.

I do have some bins filled with large kabuli chickpeas. In fall 2017, chickpeas were worth more than 60 cents per pound. Knowing this great price was unlikely to last, I contracted some 2018 production at 45 cents a pound well in advance of seeding.

Unfortunately, the company I contracted with is out of business, rendering the contract worthless. Meanwhile, chickpea prices have declined to about 27 cents a pound.

Should I take my lumps and sell at that historically low price or should I store the crop hoping for an eventual price improvement?

What about durum? Sell for a price that's below cost of production or try to store it until the price is better?

There are seldom easy answers to these marketing questions and every farm has different cash flow and storage considerations. I'm still trying to determine whether to store my chickpeas or my durum or a bit of both. No matter what you grow, I hope you find the article insightful.

We always appreciate your feedback and story ideas. Email kevin@hursh.ca or catch me on Twitter @kevinhursh1. ■

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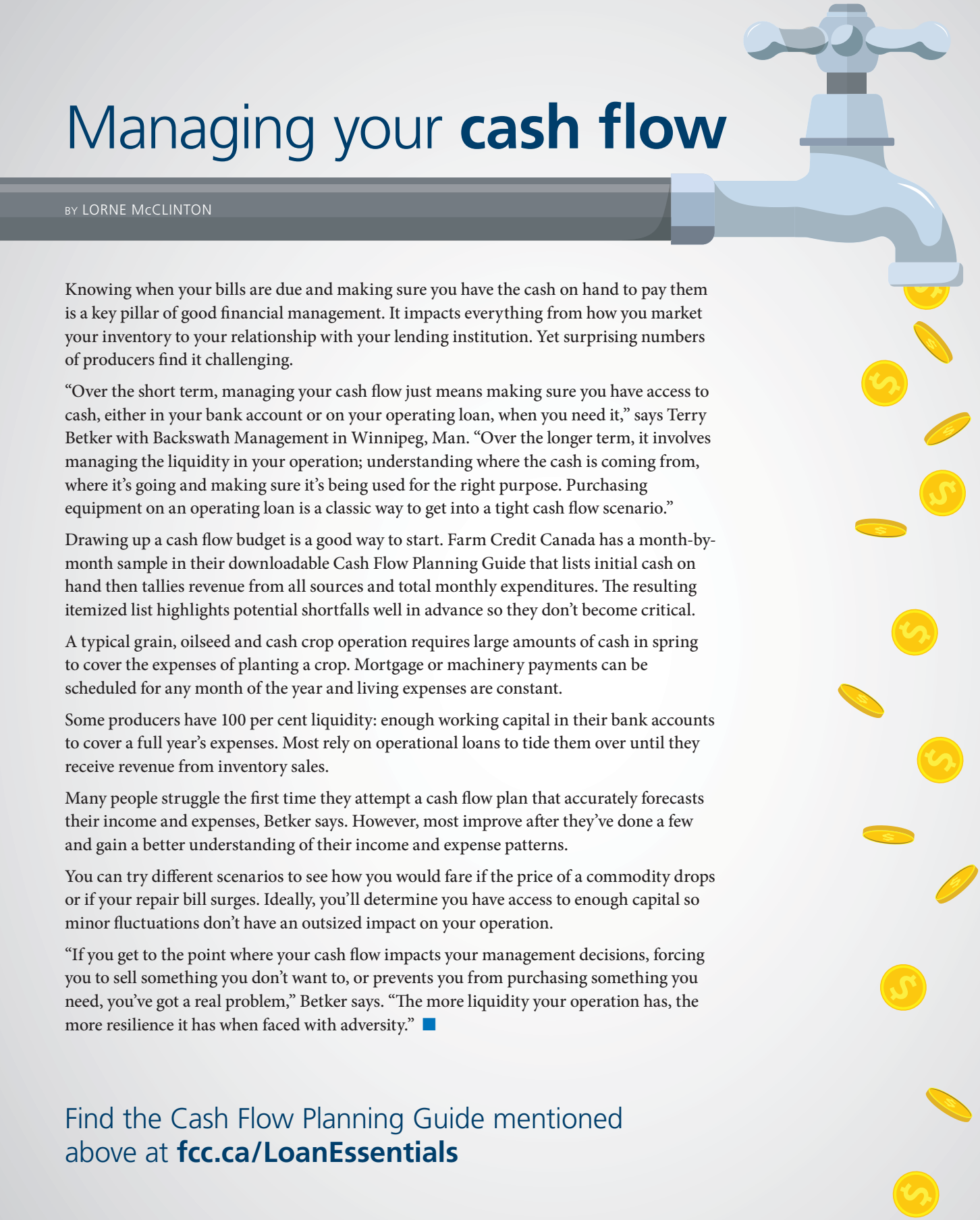
Managing your **cash flow**

BY LORNE McCLINTON



Knowing when your bills are due and making sure you have the cash on hand to pay them is a key pillar of good financial management. It impacts everything from how you market your inventory to your relationship with your lending institution. Yet surprising numbers of producers find it challenging.

"Over the short term, managing your cash flow just means making sure you have access to cash, either in your bank account or on your operating loan, when you need it," says Terry Betker with Backswath Management in Winnipeg, Man. "Over the longer term, it involves managing the liquidity in your operation; understanding where the cash is coming from, where it's going and making sure it's being used for the right purpose. Purchasing equipment on an operating loan is a classic way to get into a tight cash flow scenario."

Drawing up a cash flow budget is a good way to start. Farm Credit Canada has a month-by-month sample in their downloadable Cash Flow Planning Guide that lists initial cash on hand then tallies revenue from all sources and total monthly expenditures. The resulting itemized list highlights potential shortfalls well in advance so they don't become critical.

A typical grain, oilseed and cash crop operation requires large amounts of cash in spring to cover the expenses of planting a crop. Mortgage or machinery payments can be scheduled for any month of the year and living expenses are constant.

Some producers have 100 per cent liquidity: enough working capital in their bank accounts to cover a full year's expenses. Most rely on operational loans to tide them over until they receive revenue from inventory sales.

Many people struggle the first time they attempt a cash flow plan that accurately forecasts their income and expenses, Betker says. However, most improve after they've done a few and gain a better understanding of their income and expense patterns.

You can try different scenarios to see how you would fare if the price of a commodity drops or if your repair bill surges. Ideally, you'll determine you have access to enough capital so minor fluctuations don't have an outsized impact on your operation.

"If you get to the point where your cash flow impacts your management decisions, forcing you to sell something you don't want to, or prevents you from purchasing something you need, you've got a real problem," Betker says. "The more liquidity your operation has, the more resilience it has when faced with adversity." ■

Find the Cash Flow Planning Guide mentioned above at **fcc.ca/LoanEssentials**

Three generations of **growth** and **success** at Beverly Greenhouses

BY LILIAN SCHAER

VanderHouts have been growing greenhouse vegetables in Canada for almost six decades. Brothers Jan and Dale VanderHout are the third generation running Beverly Greenhouses near Hamilton, Ont., one of the province's largest greenhouse cucumber growers. And with eight kids between them, a fourth generation seems likely.

The brothers' growth ambitions and passion for their business have been key to Beverly Greenhouses' longevity and success, along with a strong hands-on work ethic.

"Both Dale and I work very hard to this day and we've been able to expand over the years," Jan VanderHout says. "That has been the key to remaining viable; those who didn't invest in expansion and modernization quickly exited the industry."

Today, Beverly Greenhouses grows 27 acres of English cucumbers and raise their own cucumber plants in two acres of propagation greenhouses. Production is staggered so there is always crop going out the door, and through Bayshore Vegetable Shippers in Burlington, their cucumbers end up in major Canadian and U.S. grocery stores.

Biological pest control

Sustainable production is central to the farm's operations. Chemical fungicides or pesticides are not primarily used, instead, the focus is on managing pests using biological controls. That's unusual – controlling pests 100 per cent biologically in propagation requires close monitoring and a commitment to accepting some crop damage if an outbreak does occur.

"This is a big deal – it's finger-on-the-pulse kind of work, and we accept the damage so we can keep the biological program viable. Once you bring chemicals in, it destroys the biologicals," Jan explains.


Dale (L) and Jan VanderHout, third generation owners of Beverly Greenhouses


Applying biological pest control


Filtration tanks are part of Beverly's innovative practices


Product ready for harvest

They also burn wood biomass for heat, have solar installations on some of their roofs, and just recently started to generate baseload electricity for their internal use, re-using the heat from the natural gas generator to help heat the greenhouses. As well, all of their irrigation and fertilization infrastructure are recirculating closed systems.

"All the water we draw goes out in the form of cucumbers, and nutrients are recirculated and reused," he says.

Dispelling myths for the public

Sustainability also means ensuring social license to operate. Beverly Greenhouses often opens its doors to tour groups, from food writers and culinary professionals to McGill University agriculture students and grade school classes.

According to Jan, the goal is to help people learn how food is produced and understand the level of care, automation and technology that goes into growing greenhouse vegetables.

"We want people to see the good things we are doing and dispel myths they may have in their minds," he says. "Only a small percentage of Canadians have been on a farm, so if you can tell that story, it's a good thing."

Politicians at all levels of government are another target audience; the hope is they'll consider potential impacts on agriculture when making policy decisions. That desire to contribute to smart regulation and keeping the industry competitive is why Jan also volunteers a lot of his time to different horticultural organizations.

He currently chairs both the Ontario Fruit and Vegetable Growers' Association and the Ontario Greenhouse Alliance and holds director positions with the Ontario Greenhouse Vegetable Growers and the Canadian Horticultural Council.

It makes for an often dizzying schedule and long days away from home, but Jan believes the payoff is worth it, both for his farm and the broader industry, especially when lobbying efforts effect positive change.

"Some people think the good things happen by accident, but that's a misconception," he stresses. "A lot goes on behind the scenes that people don't know about to make those good things happen."

Growing the business

Beverly Greenhouses' work force is one-quarter local Canadian employees and three-quarters seasonal workers from Mexico, so access to labour is a high priority. Without the foreign employees, many of whom have been working for the VanderHouts for years, the business wouldn't have grown to the size it is today – and future expansion wouldn't be a possibility either.

Increasing environmental regulation coupled with what Jan calls a growing enforcement mindset is also a challenge.

With 80 per cent of Ontario's greenhouse vegetable production going to the U.S., trade and border flow is crucial. But that's also where Jan sees almost limitless potential, especially with the Chinese market starting to open up to Ontario-grown glasshouse produce.

It takes only 15 hours by climate-controlled aircraft for a cucumber to make its way from an Ontario greenhouse to the world's largest consumer market, where Canadian products are highly sought-after.

"The opportunity to increase production is tremendous with the potential of the market before us," Jan says. "China is our biggest opportunity and it's wise for us to develop that market to hedge our trade potential."

Long term, the VanderHouts are optimistic about the future and hope to continue growing – pun intended, he says with a chuckle. ■

Blockchain increases **food safety**

BY KEVIN HURSH

Blockchain tracing of agricultural products through the supply chain moved from theory to reality last fall with a news release from Walmart. The retail giant announced that suppliers of fresh leafy greens will have to trace their products using blockchain technology.

The main reason is food safety. A fast way to trace the source of problems is needed.

In early 2018, many American consumers and grocers were forced to throw away large amounts of romaine lettuce when an E.coli contamination spread. Consumers were advised to avoid eating lettuce grown in Yuma, Arizona.

"But it was difficult for consumers to know how to determine where their lettuce was grown," Frank Yiannas, vice-president of food safety at Walmart, said in the news release.

"None of the bags of salad had 'Yuma, Arizona,' on them," he said. "In the future, using the technology we're requiring, a customer could potentially scan a bag of salad and know with certainty where it came from."

In late 2018, there was another food safety issue involving romaine lettuce that resulted in large amounts of discarded produce in both the U.S. and Canada.

So what is blockchain technology? Simply put, it's a system of transparent record-keeping. When a piece of permissioned information, or block, gets entered into the chain, other computers are notified. Falsifying information is very difficult because any change in information is open for all to see.

Walmart has been working with IBM to digitize a system whereby information from the farm all the way through the various supply chain steps is captured with a handheld system. Rather than taking a week to track the source of a problem, it may only take seconds.

Simply put, blockchain technology is a system of transparent record-keeping.

Many other big-name players in the food industry are also working with IBM including Nestle, Unilever and Tyson Foods.

When people hear the term blockchain, they sometimes relate it to the now famous – or infamous – Bitcoin. However, blockchain doesn't require the use of a cryptocurrency.

In addition to food safety, blockchain has the potential to reduce food fraud. Was that food product really produced organically? Is beef really the only meat in that hamburger? With blockchain, the guarantees can stretch from farm to fork.

New technology can evolve quickly, and the world of big data continues to be in flux, making it difficult to determine the scope and depth of blockchain applications in the years ahead. Companies that are vertically integrated from farm to retail will face the easiest conversions. It will be more complicated for companies operating through multiple contracts with independent growers.

However, with the need for immediate food traceability and the desire by consumers to know more about their food, digital technology platforms are an obvious answer. ■

A **LOVE OF IRON** DRIVES THIS YOUNG ONTARIO FARMER **WEST – AND BACK**

BY OWEN ROBERTS

Like many farm kids, Gerrit Pastink grew up around machinery, on his family's sprawling dairy farm, Henria Holsteins, near Conn, Ont.

But Gerrit wasn't content to just be around it – he wanted a deeper dive, to actually get inside it and see what made it tick.

His passion for machinery grew through his teens, leading him to a co-op work term at a nearby farm equipment dealership, Robert's Farm Equipment, in his final year of high school.

And by then, iron – the kind that goes into farm equipment – was permanently flowing through his veins. Ultimately, that passion led him to the Olds College two-year agricultural machinery technician program at Olds, Alta. Now 19 years old, he's in his final year.

"I decided to go to Olds College because there aren't any educational institutions in Ontario that offer the kind of specialized training that Olds does," says Gerrit. "The program was highly recommended by mechanics I met during my co-op at Robert's. They were impressed with the program's diversity and applicability."

Gerrit's parents Henk and Maria Pastink supported his decision to seek higher education. But they and sister Reba, 21, will be happy when he returns.

With a herd of 600 cows and a land base of 3,200 acres, Henria Holsteins is one of Grey County's biggest dairy farms. And it's still expanding – a new young heifer facility has just been completed, making this bustling farm poised for even more growth.

The new heifer facility adds to Henria Holsteins' stunning appearance. The farm features a state-of-the-art barn with a 50-cow rotary milking parlour with brick decking. The streamlined, custom-built barn by renowned builder John Ernewein is impeccably maintained, inside and out.

At Henria Holsteins, all family members have specific roles. Reba looks after the nursery full time, Maria is the herdsman and Henk is the main farm operator. They hire an external bookkeeper, six full-time milkers, two calf feeders, a full-time TMR (total mixed ration) operator and six full-time and three part-time outside crew for crops and heifers.

The Pastinks count on networking and on industry specialists for ideas, information and support. They use Twitter and other online resources such as the Journal of Dairy Science to learn about innovations and new practices.

"We want to keep learning and investing in new products and technology so we don't get left behind," Henk says. "It helps keep the next generation interested, and that's important to us."

"I was lucky to grow up on a farm, and gain experience at school as well as at part-time jobs while I'm in Alberta," Gerrit says. "I can use a lot of this knowledge and these skills back home."

Q&A WITH GERRIT

What kind of educational activities are you involved in?

Preparing and overhauling engines, mechanical and power shift transmissions, tractor hydraulic and electrical systems, tillage machinery and spraying and harvesting equipment.

What's been the high point so far?

A six-week assignment with a classmate to strip down a New Holland T4 to the block.

What do you like most about the program?

The program is mostly hands-on – I've found that I learn best through physical application, so this program is right for me.

What do you hope to do with your education?

Plans call for me to become our farm's equipment manager, and someday, to take over the farm with my sister Reba.

On the farm, what do you like most about dairy production?

My favourite part about dairy production is the full-circle aspect. I like that we grow our own crops to feed our cows and in turn, the manure becomes nutrients to feed the next crop. And I really enjoy long hours spent in the fields or the shop.

What's the biggest lesson you've learned from working with your family on the farm?

That you can always rely on each other. When my mom and sister are both away, my dad or I can do an evening barn check for them. If we are short hands in the field, Reba is available to help. Another important lesson we live out is to take time to discuss what's happening in each of our respective areas and what our future plans are. You can quite often find us at a table of our local restaurant discussing, drawing, planning and laughing!

How will your role as the farm's equipment manager change as a result of future automation?

More automation means things are becoming more complex. It's almost impossible to fix a tractor with just a couple of wrenches now. A machine that doesn't require any services or repairs is unheard of, so I think there's still a lot of job security on the farm.

What skills do modern farmers need the most?

Experience. It's also really important to have people and management skills. A big part of the day is spent with people, like employees and industry representatives who we need to be able to get advice from. I find it really important to have money management skills. Luckily my sister and I have practiced this with our small heifer-raising business ... keeping receipts, sticking to a budget and tracking expenses are key.

What do you do for fun?

I love being on the large equipment at home, and I have a Ski-Doo for taking time off in the winter and going sledding with friends. ■

MAKING MONEY WITH GRAIN STORAGE

BY KEVIN HURSH

Canadian grain farmers, particularly those on the Prairies, have more grain storage than almost any of their worldwide competitors. Storage capacity can be a marketing advantage, but it can also become a trap.

Stories abound of producers storing crops to eventually capture record high prices. Unfortunately, you might also store grain for an extended period of time only to sell it for around the same bargain basement price as when it went into the bin.

Patience, cash reserves and storage capacity can all run short, thwarting a long-term storage plan.

Crops without a futures market

Canola, wheat, soybeans and corn are the Canadian crops comprising the majority of our acreage and all have futures markets for price discovery. However, no futures markets are in place for other important crops including durum, lentils, field peas and flax and a whole host of smaller-acreage crops.

These secondary crops are typically subject to more extreme price swings and sometimes remain in farm storage for years as producers try to wait out market downturns. Sometimes price recovery can be quick and substantial, and in other cases prices can remain in the doldrums for years.

"It can be useful to look at how broad-based the demand is for particular crops," says Chuck Penner of Leftfield Commodity Research. "Narrow demand can delay a price recovery."

Penner notes that while all lentil prices have been depressed due largely to high tariffs and lack of demand from India, red lentils have a broader-based demand than green lentils and therefore might have a quicker price recovery.

If the price of a commodity is near the bottom of its historical range, it may be a better candidate for storage. However, timing is also an important consideration.

"Too many farmers will become stalwart holders of crops when they are on the way down from a bull market peak," says market analyst John DePutter of DePutter Publishing. "As the price declines, it's hard to sell, because you want the price from last month or last week. But that is often the time when you might best cut your losses and get out."

Predicting a price recovery is an inexact science, but DePutter notes that a better time to lock the bin and stubbornly store is after a market has seen a deep fall and has levelled out for a while. If the price for a crop has been below cost of production for quite some time, producers can be demoralized about growing it, causing a drop in supply. Low prices can also encourage additional consumption.

Using futures markets

Sometimes the medium-term reward from storage is transparent. Cash prices in deferred months are higher and the price difference is more than enough to pay for interest charges and storage costs. However, DePutter notes there are times this "carry" in the market is reflected in futures prices and not in the local cash market.

In that case, he says the best approach may be storing the grain and hedging it with a premium-priced futures contract for a deferred month. In the case of wheat futures, it's very common to see deferred futures contracts trading at higher prices than nearby months.

DePutter also advises producers to not misinterpret the market signals coming from futures markets.

"A farmer might look at the better price offered for deferred delivery and just think that they can wait for that timeframe and sell then," DePutter notes. "Problem is, often the premium for deferred positions will erode down to the cash value by the time you get there."

Meanwhile, Chuck Penner notes that it costs a brokerage commission every time you roll a position to another futures month, so you can save money by picking a month farther out.

How long can you store?

If a crop is a relatively small percentage of your total production, you might have the capacity to store and wait for a considerable length of time. If a crop or combination of crops are low-priced, but make up a significant portion of your production, you might not have the cash flow or storage capacity to wait out the market.

Extra storage capacity can be added and may be a good investment, but that comes with a price tag.

When prices are disappointing, the natural emotional reaction can be storage, but storage plans are best when they're calculated and strategic. ■

What does grain storage cost?

The time value of money is the first obvious cost of storing grain. If a crop is worth $10 a bushel and you store it for a year, the opportunity cost is 50 cents a bushel based on an interest rate of five per cent. You can adjust the interest rate for what you feel is appropriate.

But what about the actual cost of storage if you have to purchase additional bins? Alberta Agriculture has crunched some numbers for different types of 5,000-bushel grain bins with assumptions for purchase price, set-up costs, depreciation, repairs and maintenance and interest on the bin investment.

The annual cost ranged from 22 to 25 cents per bushel per year. Adding this to the time value of money on the value of the stored grain provides a ballpark estimate of storage costs.

INCREASE YOUR FITNESS FOR SPRING (HERE'S HOW)

BY KIERAN BRETT

With only weeks remaining before planting season begins, Canadian farmers have a huge job ahead of them. Working long hours under stressful conditions, crop producers will be physically and mentally taxed in a way that few occupations experience.

Now ask yourself: are you physically fit enough to handle it? If not, don't worry. Alberta farmer and fitness advocate Gary Chambers has your back. Start today and he'll have you in better shape by the time seed meets soil.

"Farmers definitely have time to get into shape before spring," Chambers says. "Fortunately, one of the great things about not being in good shape is that changes made initially are the most noticeable. If you commit to an exercise routine at three times a week for four to six weeks, you will notice a significant improvement in your overall health and wellness."

A lifelong interest

For Chambers, a physical education grad of the University of Alberta, fitness has always been a priority. Growing up on the family grain farm near Drumheller, Alta., he was active in hockey and later got involved in cross-country ski racing and competitive cycling. Then, as often happens with young adults, parenthood and professional responsibilities intervened.

"In those six to eight years when my son was young, I was starting a real estate company while taking over the farm, and my health did deteriorate," explains Chambers. "I packed on extra pounds and I wasn't in a good place physically or mentally, despite having good success in my life."

He decided to get fit and has kept it up ever since. Better physical conditioning has allowed Chambers to handle the rigours of farming, especially in years like 2018 when weather conditions prolonged harvest agonizingly across Western Canada.

"When your stress is high, and things don't go well, it's easy to focus on the negatives and neglect the physical aspect of wellness," Chambers notes. "It's proven that being in good health and the endorphins gained from exercise can change your outlook and allow you to better take things in stride."

No gym nearby? No problem

For some people in rural Canada, limited access to a professional gym can be a barrier to getting fit. Chambers advises: set up your own gym on the farm.

It doesn't have to be fancy. He suggests a home gym should include cardio equipment, like a treadmill, bike or a stepper, and a set of free weights with a flat bench. Chambers also likes to mix it up with a resistance-band system that hangs from the ceiling for a great workout.

After an initial investment in these fitness essentials, getting in shape on the farm is free. When you compare the investment to the benefits, Chambers calls it a no-brainer.

"Look at the hundreds of thousands – or millions – of dollars we invest in machinery," Chambers says. "I think someone would be hard-pressed to debate the cost of a farm home gym. It's not even a debit off your time because working out increases your productivity throughout the day."

Chambers recommends a 60-minute workout first thing in the morning. Leaving it to the end of the day often means exercise never happens, he says, "because the day never ends for farmers."

If 60 minutes sounds like a lot, Chambers recommends starting with small changes: a light jog with your pet or walking instead of driving to inspect a field. To him, the nuts and bolts of the workout are less important than establishing a positive habit. The more consistently you do it, the more quickly you'll see the benefits.

"Like they say with investing, you have to pay yourself first," Chambers says. "That's true with exercise. Although we associate fitness with strength, we forget how much being in good shape also impacts our mental health." ■

Stretches for outside and inside the tractor cab

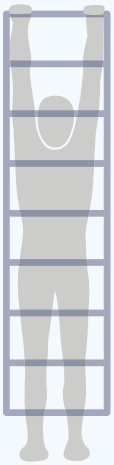
"Farmers work their butts off during the busy season, and the body's not designed for those long hours," says Shawn Rennick, chiropractor and owner of Action Sports Clinic in Calgary.

Here are three exercises for outside the tractor cab

Hold these stretches for around 30 seconds and repeat two to three times on each side. Protect your back by staying as upright as possible and move deliberately. If you feel pain, stop.

1. **Knee to chest**
   With one foot up on the ladder of your tractor, lean in to bring your knee to your chest. Wrap arms around your shin and hold to stretch gluteal muscles.

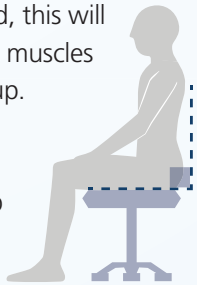
2. **Reach tall**
   Stand a couple feet back from your tractor's ladder, place hands comfortably above your head on a step. Gently lean in to stretch your pectorals or shoulder muscles and open your chest wall.



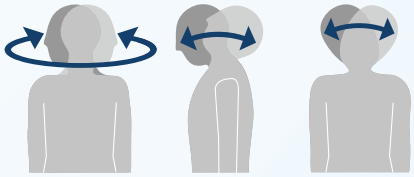
3. **Fencer's stretch**
   Kneel with one knee on the ground and the other foot in front of you and that knee bent at 90 degrees. Slightly thrust your pelvis forward and hold to stretch your hip flexors.

And here are tips for inside the cab

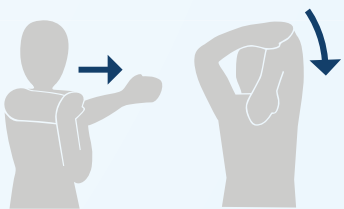
1. **Sit up straight**
   "Farmers, like other professional drivers, need to maintain a neutral spine in order for the head to be properly positioned over the hips," says Rennick. "If maintained, this will help the neck muscles to not tense up. It's like you're balancing a ball on the tip of a stick."



2. **Neck mobility**
   Focus on the neck motions, Rennick recommends. Look up, look down, look right then look left to the end of the neck's range of motion.



3. **Shoulder mobility**
   "Reach for the sky, then reach across the front of the chest, then reach behind the back, as if you were going to scratch the middle of the back," says Rennick.



HR tips for farmers in a tough labour market

- Take hiring employees as seriously as you do getting the best deal on farm inputs or equipment
- Look at who your local competition is for workers and what they offer as compensation and working conditions
- Be creative in the compensation package you offer – it's not just all about money
- Treat employees the way you'd like to be treated
- Know your legal obligations and responsibilities as an employer

Sources: Canadian Agricultural Human Resources Council, Agri-Food Management Institute

Tips to **boost** your **financial literacy**

1 Understand your **net worth**

2 Set **SMART** goals
specific measurable achievable relevant timely

3 Prepare for bad times with **insurance**

4 Have regular **money talks** with your **spouse**, **parents** or **business partners**

5 **Learn** from **advisors**, **courses**, **workshops**, **books** and **online groups**

Source: MamaFishSaves.com

Learn more at **fcc.ca/LoanEssentials**

Starting on the **right foot**

If you're new to farming, a farm launch plan is a good idea to get you started. It will help set direction, determine what resources and knowledge you have and what you need, and establish whether you need off-farm income to reach your goals.

Benefits

- vision and direction
- prioritized next steps
- established keys to success

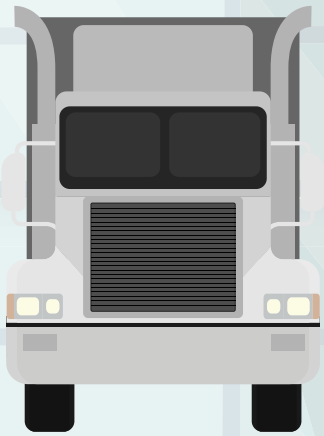
Check out the New Farm Launch Plan tool developed by the Agri-Food Management Institute at **TakeANewApproach.ca**.

Source: AMI

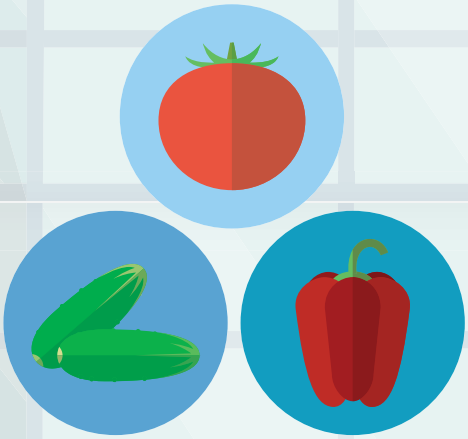
A look under the glass
Did you know?

The **Leamington area** on the Lake Erie north shore is home to the **greatest concentration of vegetable greenhouses in North America**

Approximately
80%
of **Ontario's greenhouse vegetables** are **exported** to the **United States**



Tomatoes, **peppers** and **cucumbers** are the most widely grown greenhouse vegetable crops, but growers also produce **lettuce**, **green beans**, **eggplants**, **herbs**, **microgreen vegetables** and **strawberries** under glass



Source: Ontario Greenhouse Vegetable Growers; Agriculture and Agri-Food Canada

COMPILED BY LILIAN SCHAER | Find Lilian **@foodandfarming**

WHEN **FARM KIDS LEARN** AND **EARN**

The following fictional case study was created by BDO Canada

Ben and Laurie are big believers in running their beef and cash crop farm like a business. But it's also a true family farm with parents and kids working together. Their three children all play a significant role in the day-to-day operations. Emma is 16, Clair is 14 and Andy is 12. All three participate in different 4-H clubs, perform daily chores and help out as required during busy spring and fall periods.

For Ben and Laurie, presenting a positive attitude and highlighting the opportunities the farm offers are very important. Ben had grown up providing "sweat equity" on the family farm and had always envied his high school friends who had spending money from part-time jobs in town. Without any compensation from his parents, time in the barn was not a positive experience. He vowed his children would never feel that way, so he and Laurie always made sure Emma, Clair and Andy were paid for their time.

As the compensation became more significant, Ben and Laurie wanted to make sure they were handling things properly from a tax perspective. They knew there were tax benefits to paying the kids for their labour and they wanted to formalize the process rather than just paying with cash on hand. The first step was to create a payroll plan and set it up in the farm's accounting software. Knowing that Canada Revenue Agency could question compensation to minors, he decided the wage would be appropriate to their ages and skills.

Kids start their own farm enterprises

Emma had been talking all winter about growing and selling sweet corn from the farm this summer. Clair's experience with the 4-H beef club had her thinking about raising a few steers for freezer beef sales. Not wanting to be left out, Andy was interested in taking over the 15 hens and brown egg business from his mother.

Ben and Laurie were impressed but a little overwhelmed by this flurry of entrepreneurial zeal. They were all in to support the kids and their enterprises, but they had to get organized.

Their first task was to ensure Emma, Clair and Andy had thought through their plans carefully. Had they researched what their expenses would be? Did they have enough money to pay for the expenses that would come up front before the revenues were earned? How would they market their products? And who would look after their additional chores if they were away or wanted to go out with friends?

If they were going to do this, they wanted to do it properly right from the start.

Once satisfied they were all serious about their chosen ventures, Ben worked with them to find simple cost-of-production spreadsheets online to help them track expenses and revenues. They all got accordion files to hold receipts and records. The family accountant advised that each one should run their business ventures through their own bank account and not through the farm accounts. If they were going to do this, they wanted to do it properly right from the start.

Saving for the future

Ben and Laurie had always encouraged savings, but with three teenagers the cost of smart phone plans, expectations for vehicle access and post-secondary education looming, it was time to set some guidelines. They had a family meeting and agreed that regular farm wages would be put into the kids' bank accounts with the expectation that they would be responsible in their spending choices.

However at the end of the year, half of the profits from the sweet corn, beef and egg businesses would be invested into something other than their bank accounts. They explained that might be an investment at the bank or back into expanding the business. Andy immediately did some napkin math and figured out he could buy 10 more hens by the end of the year with half the profits from egg sales.

Ben and Laurie had opened a Registered Education Savings Plan (RESP) account for their children when they were young and had put money into it sporadically over the years, but they knew they were not getting the maximum co-funding from government. With Emma finishing grade 10 and planning to go to college in two years, they set up monthly contributions to ensure RESPs got topped up for Clair and Andy.

Their accountant clarified that if each of the kids had less than $12,000 of taxable income they should not have any taxes owing and therefore no obligation to file a tax return. He suggested Emma might consider filing to be eligible for certain tax credits and to start building her own RRSP allowances.

Ben and Laurie felt good about the learning opportunities their plan held for their family. They knew there would be challenges with the enterprises, but that's part of the education. When Clair found a free timesheet app they could use to track hours and wages, Mom and Dad realized they were learning too. ■

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

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AUCTION SALE TIPS

Q What advice can you give both buyers and sellers as prime farm equipment auction season approaches?

JORDAN CLARKE
Sales Director, Ritchie Bros. Auctioneers – Rouleau, Sask.

Act now. Take advantage. There is no better time!

I doubt this the first time you're hearing this, but there is likely to be a large surplus of used agricultural equipment on the market in Western Canada in spring 2019. This is being driven by a couple of different factors.

First, equipment manufacturers have been aggressively trying to battle each other for market share, which is driving a lot of new equipment into buyer's hands and forcing a large amount of used equipment into dealer lots, auctions and private sales.

Second, the last several years were some of the most profitable for farms in Western Canada. Additional profit typically lends itself to producers trying to upgrade or grow their operations. Aggressive buying habits, combined with manufacturers wanting to increase market share, has resulted in this problem – or opportunity, as we like to call it. We saw inventory at Ritchie Bros. auction sales throughout Western Canada grow over the course of 2018.

If you are a buyer, take advantage of the largest amount of used equipment ever at auction sales, as there will be some "deals" based on sheer quantity.

For sellers, be sure to partner with a company that can reach buyers outside your local region. Technology and ease of transport have made the agricultural equipment market more open than ever, but most online or "do-it-yourself" programs aren't very well known or do not satisfy the depth of the market. In competitive times like these, you need a company with a proven track record of producing results and finding buyers.

TOM HAMULECKI

Sunrise Equipment Auctions – Norwich, Ont.

Actually, while spring is still a big auction season, fall sales have become just as important for us since equipment dealers often want to reduce their inventory heading into winter. Our auction sales happen throughout the year with the exception of July and August.

On bigger stuff in the $100,000 to $200,000 and more price range, a buyer can save a lot of money at auction compared to buying through a dealership. The age of a piece of equipment matters of course, but the biggest factor is condition. People judge by outward appearance. Clean and shiny is important, and equipment that has been stored inside always sells for a bit more.

It's important for buyers to do their research and that's possible even in most consignment sales. The equipment comes from reputable dealers who can provide its history. Dealer financing isn't available at auction sales, but other financing can easily be arranged.

Internet bidding has become a huge part of the auction business. About 30 per cent of our sales go to online bidders. It would be interesting to know how many times the back-up bidders were online as well. Buyers want lots of pictures and lots of information on auction websites so they can make purchase decisions without ever seeing the equipment in person.

It's interesting to note that sometimes even local people bid online to save themselves time. And they can also bid anonymously.

DOUG JOHNSON

Doug Johnson Auction Service Ltd. – Camrose, Alta.

One of the first steps for farmers thinking about having a farm sale should be talking to their accountant for financial and tax advice. Farmers will want to minimize tax implications, considering the large cash flow increase that an auction will produce.

An important aspect is choosing a good time for a farm sale. April, June and July are usually considered optimal months for a farm auction. We, as a company, try to avoid auctions in the busy farming months as farmers are focused on either putting the crop in or taking it off. The winter months can be a challenge due to the harsh realities of Mother Nature.

Another factor for sellers to be prepared for is that most buyers want to talk to the seller regarding their equipment. A lot of potential buyers feel they can get a lot of good information from the farmer who has owned, operated and serviced the equipment to be sold. The auction company doesn't know the history of the equipment like the owner does. In some cases, a potential buyer will request that an independent mechanic examine a piece of equipment in advance of a sale.

Our company conducts on-farm, single dispersal auctions, so in turn, most potential buyers attend the farmer's yard. Buyers will potentially form an opinion of the equipment based on how the farmyard is maintained. This can reflect how the equipment has been operated and serviced.

If buyers are planning on financing any purchases, it is important to have this arranged in advance of the auction. Most farmers factor in after-sale costs such as trucking, but it is wise to research this beforehand to avoid any surprises. ■

Top economic trend of 2019

The changing face of trade partnerships

Current trade pacts, global tensions and developing alliances

The benefits of geographically close trade provide the means and incentive for global traders to share infrastructure and resolve problems. North American trade is an example: the new deal (CUSMA, or the Canada-United States-Mexico agreement) bears a remarkable resemblance to the old for Canadian agri-food sectors, except supply-managed sectors.

But traders no longer have to rely solely on proximity to strike up good relations. CPTPP brings together 11 countries and opens the door for Canadian beef, pork, canola, wheat and other goods in the high-value Japanese market and fast-growing Malaysia and Vietnam. Canadian relationships with the Association of Southeast Asian Nations will only extend that, most notably with Thailand and Indonesia. The potential of CETA may be fulfilled in 2019, with the expanded reach of Canadian goods to a European market of 742.9 million consumers who, in 2017, imported more than US$107 billion[1] worth of food.

All these relationships are made possible by improvements in global technologies, logistics and infrastructure. China's quick substitution of Brazilian soybeans for U.S. product in 2018, their efforts to diversify rapeseed meal imports beyond Canada, and European trade realignments in the wake of Brexit are examples of the ease and speed of disruptive trade practices now possible.

What's the bottom line?

Because global demand for feed, food and fuel continues to grow, shifting trade patterns will continue to influence our agri-food sectors. In 2019, Canadian dairy producers and processors will actively monitor discussions on market adjustments and compensation, while equipment manufacturers hope that steel and aluminum tariffs are lifted. Slowdowns in major economies could well dampen emerging markets, disrupting expected growth of global demand. Commodity prices will shift, hitting producer revenues.

Canadian agri-food exporters must work on the existing and new relationships this year that will generate trust and goodwill. Good-quality relationships can overcome the natural barrier of distance and sustain partnerships through challenging periods. This year's "quality" trade relationships may prove more successful in the long run than those that are merely close, because in 2019, importers have options. Exporters do, too. ■

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What do you see coming? We examine trends likely to affect Canadian agri-food this year in our blog series, Top Economic Trends for 2019. **fcc.ca/AgEconomics**

[1] Includes HS 02, 03, 04, 07, 08, 09, 15, 16, 17, 18, 19, 20, 21

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Robotic milkers show the way

BY PETER GREDIG

"The robots are coming! The robots are coming!" It sounds like a trailer for a cheesy 1950s sci-fi movie, but it's a common theme in both mainstream and farm media. The videos on social media of robotic weeders and apple pickers are very compelling but the truth is, robots are already here.

The first robotic milkers arrived in Europe in the early 1990s – almost 25 years ago! If you haven't seen one in action, they are just as compelling as some of the futuristic prototype robots we see being developed for other sectors. The Canadian experience with robotic milkers provides a case study in ag robotics and gives us some idea of how robots might impact productivity and management in other sectors. With predictions of a labour gap of 114,000 ag workers by 2025, we may need more robots sooner rather than later.

Jack Rodenburg has a unique and unbiased perspective on robotic milkers. He was the dairy specialist with the Ontario agriculture ministry from 1974 to 2008 and was on the scene when the first robotic milker in North America was installed near Woodstock, Ont., in 1999.

"We didn't know what to expect from the robot. Up to that point, advances in milking technology were all about making the human milker more efficient so farmers could milk more cows with less labour. But the robot was going to take the person completely out of the equation."

In the early days, there were problems with the robots, but they were soon resolved. Uptake in Canada has been slow but steady. Rodenburg, who is now a partner in a dairy consulting company called Dairy Logix, estimates that 10 to 13 per cent of Canadian dairy herds are now milked by robots. In Europe, the number is over 20 per cent due to higher labour costs and the fact that the robots came on the market there eight years earlier.

So where do robots find the best fit? "Up until about two or three years ago, robots were being installed on smaller dairy farms that were looking to expand without having to hire labour. In a free stall environment, robots are becoming an affordable way to milk cows, especially if the operators are not interested in hiring help from outside the family."

According to Rodenburg, the most vulnerable operation is one where there is one non-family employee. "Bigger operations with seven or eight employees can get by in the short term if one employee is sick or quits. A farm with two active family members and one employee is really challenged if they lose their help. Robots make a lot of sense here."

In recent years, larger operations started taking another look at robots. As labour costs rise, the robots become more cost-effective in comparison. There is also a growing perception that cow comfort and health is improved in a robot system. "There is less stress on the cow because she doesn't have to be penned or

The most important step is to be really clear on what benefit the robot brings… For a robotic fruit picker it might be reduced bruising, faster harvest.

crowded while waiting to be milked in a parlour. Robots free up an hour or two for the cow to rest and eat without stress."

The obvious upside to robotic milkers is the reduced labour required to milk the cows. Milk production tends to increase significantly if coming from a twice-a-day milking system. The increase is smaller compared to a three-times-a-day regime, but labour savings are higher.

Milk quality can be a challenge. The robot can't go beyond the basic cleaning and disinfecting process for a really dirty cow, and it can't detect a cow that might be developing mastitis the way a human can.

Rodenburg says that barn design for robots is different from a parlour design. It requires a different layout with handling systems that make it easy to sort and access specific animals for treatment. If building a new barn, Rodenburg suggests using a design that facilitates a robot whether that is the original plan or not.

So what can we learn about working with robots from the dairy experience over the past 20 years? Rodenburg suggests that the most important step is to be really clear on what benefit the robot brings. Be precise in quantifying the benefit and the costs and compare honestly with existing processes. For dairy, it's reduced labour, improved cow comfort and increased production. For a robotic fruit picker it might be reduced bruising, faster harvest, better selecting for ripeness, etc.

"Looking back, there was definitely a significant cost to being on the bleeding edge of robotic milkers and it's hard to go it alone. If you are the first to implement a robotic system it's helpful to be compensated by the robot company for being the guinea pig. We also assumed at the outset that the cost of robotics would come down over time and this hasn't been the case. The robots get better and better, but it's a limited market so we're not seeing it get much cheaper."

Lastly, robots require different management so personality comes into the equation. If you struggle with hired labour and like to have control over all aspects of production, you are a good candidate for robotic technology. ■

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