

JANUARY 2020

AgriSuccess

WHERE ARE THEY NOW?

We revisit three previously featured farm families, each with unique opportunities for growth

THINK TRANSITION, NOT SUCCESSION

A large family with a seed production operation in Alberta moves through transition

the *BEST OF* issue

TOO YOUNG TO RETIRE

A young couple from Saskatchewan moves closer to their dream of grain farming on family land

FRESH START FOR A QUEBEC DAIRY FARM

A new dairy venture continues to grow for a Quebec-based father-son duo





*/dream
grow
thrive/*

When we chose our new tagline for **FCC**, we wanted to make it clear that we value our relationship with you.

I love our new tagline. And I hope you will too.

I'm so fortunate to work at FCC. When I travel the country, I get to meet with the Canadians who produce our food. There is such a strong commitment to doing things right – to deliver quality and nutritious food for Canadians and consumers around the globe. Often, this commitment extends from generation to generation.

When we chose our new tagline for FCC, we wanted to make it clear that we value our relationship with you. We want to see you dream, grow and thrive. Because your business success means the world to us. We're proud to be the only lender 100% invested in the Canadian agriculture and food industry.

In the months and years ahead, you'll see our new tagline a lot. Our employees and customers tell us that it connects with them. And I hope you hear our commitment to live up to it, to help you and your business – Dream. Grow. Thrive.

Michael Hoffort, President & CEO
Farm Credit Canada



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

Published four times annually in January, March, June and November.

Est. 2004, Edition 87

Editor, Kim Sheppard

Original photography by HuszarVisuals.ca

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PRODUCER PROFILES

We revisit three previously featured farm families, each with unique opportunities for growth.

Think transition, not succession

A large family with a seed production operation in Alberta moves through transition at a well-measured pace, embracing ever-shifting roles as the farm evolves.

Too young to retire

A young Saskatchewan couple moves closer to their dream of grain farming on family land, while their parents hold onto the operation a while longer.

Fresh start for a Quebec dairy farm

A new dairy venture continues to grow for a Quebec-based father-son duo. Moving into uncharted territory is helping them envision a long and prosperous family future.

3

Clever ways for the next generation to afford the farm

While transition may seem impossible at first glance, well-advised planning can help create an optimistic future.

8

Pick up your big rocks first

Choosing a few big rocks each day ensures you get the important things done.

10

Communication is key to successful farm transition

How can parents be fair to non-farming children when one child is taking over the farm?

12

Baby steps to bigger profits

The tiniest improvements in several areas can add up to more than their sum in returns.

16

Worker shortage puts spotlight on creative hiring

Recruiting for agriculture today requires a different way of thinking, and a different approach. Here are some ways to get started.

18

Economic Insights

While expected to increase over the long term, farmland's return on investment can vary.

20

Skill versus scale

Skill and efficiency can trump scale, optimizing both your profitability and your lifestyle.

22

When finances keep you awake

Three steps to take when your finances start stressing you out.

Welcome to the best of **AgriSuccess**

Much like a Greatest Hits recording, this issue of AgriSuccess brings you our best and most popular work and makes it available in one easy-to-access issue.

When a band or musical artist releases their greatest hits, you know they have truly arrived. It proves there have been numerous songs that resonated with listeners and have stood the test of time. It represents a selection of the artist's best and most popular work and makes it available in one recording.

This special issue of AgriSuccess is a bit like that. Based on feedback from readers, we selected the most popular and impactful articles from past issues. We updated the content and added new information to our readers' favourite articles.

If this is the first time you've received AgriSuccess, we hope you find the content of this free publication engaging and innovative. Want to subscribe? Call 1-888-332-3301 or visit fcc.ca/AgriSuccess to ensure you receive upcoming issues.

AgriSuccess is just one part of FCC's commitment to provide unique insights and tools to support all producers, whom we view as CEOs in a dynamic industry. In addition to print media resources like this award-winning magazine, we offer exclusive email subscriptions, a comprehensive searchable website at fcc.ca, and exciting and timely learning events, all designed to help you grow yourself and your business.

We want to be a true financial partner, regardless of your sector or scale. Part of that partnership is listening to your concerns and challenges. The topics covered in this magazine and our other information channels are driven by grassroots feedback and comments from readers. Tell us about the financial and business management strategies you want to learn more about, and we'll get to work developing content with actionable takeaways. Email agrisuccess@fcc-fac.ca. ■

The future belongs to those who believe in the beauty of their dreams.

– Eleanor Roosevelt

Clever ways for the next generation to afford the farm

BY LORNE McCLINTON

When farmland prices rise significantly over time, the thought of buying out the parents' farm at full market value can seem quite daunting for the next generation. Especially when, in some areas, increases have been more than 400 per cent in just 10 years. Some clever planning can make transition not only possible, but also probable.

Terry Betker with Backswath Management in Winnipeg, Man., says "I don't know if there are any farms out there that can generate the profits needed. So some portion of the succession plan is going to have to deal with this."

In the vast majority of transfer plans, the younger generation will have to take on some debt to take over the farm.

The question is, how much?

Parents need to decide what to sell to their children and what to gift or transfer as part of the estate, Betker says. Before embarking on any transition plan that means the operation has to service some debt, it's important to look at the farm's profitability over the past five years and determine if the farm will remain viable with that amount of debt.

There are no cookie-cutter solutions when it comes to succession and estate planning, says Lance Stockbrugger, a chartered accountant and farmer from Englefeld, Sask. Important considerations for one family hardly matter at all to another. Individual solutions must be found, so families are wise to start discussing expectations as early as possible.

When he's consulting on a farm transition, Stockbrugger often suggests the older generation maintain ownership of the land. This is because owning the land provides security for them as they age, as well as protection in case of a child's divorce. It also lets them be fair to non-farming children in the estate.

"I'm a big proponent of having children set up their own operations when they come back to farm with their parents – not joining Mom and Dad's corporation right away," Stockbrugger says. "Instead, they should start by renting or buying their own land and the odd piece of equipment and learning how to make their own management decisions. This way, they can buy Mom and Dad out a little bit at a time so it's not such a big pill to swallow."

"This spreads out the cost of all those expensive assets," he adds, "so it's a big help to the next generation." ■

TIPS: With more farm wealth passing from one generation to the next than ever before, professional help is often needed to avoid potential pitfalls and institute viable solutions. Many tools exist to help planners once a family knows what it wants to accomplish.

- Involve kids in meetings with lender and accountant to build management skills
- Test leadership abilities by letting kids take over a significant task
- If parents aren't ready, develop proposals that address emotional and financial concerns including what parents will need to retire, unexpected health concerns, etc.
- Hold regular family meetings or bring in an independent third party
- Keep communication flowing

Source: Kevin Hursh



PRODUCER PROFILES
**WHERE ARE
THEY NOW?**



We asked journalist Owen Roberts to check in with three previously featured farm families across the country, each with unique opportunities for growth in front of them. Read on to see how far they've come.



Think transition, not succession

BY KIERAN BRETT



Richard and Marian Stamp founded Stamp Seeds in 1978. They grew the business by providing high-quality pedigreed seed to customers across southern Alberta while raising four children. The senior Stamps were only in their mid-40s when they embraced the idea of transition and encouraged their kids to carve out their own roles in the business. Every six months or so, the family gathered for a business meeting focused on farm operations, highlighting new opportunities and individual roles.

Greg handled sales, Nathan had responsibility for field operations and Matthew ran seed processing and seed treating. Greg's wife Sarah, Nathan's wife Christine and Matthew's wife Dynae also played active roles.

When we last spoke with them in March 2018, the family had hired a full-time chief financial officer and had begun to sell assets between the parents and the kids, allowing the parents to transition into safer asset classes as the younger generation gained experience and assumed authority.

Update: Transition has advanced at a well-measured pace for the Stamp family. Richard and Marian have left the day-to-day operations of the farm and seed business and now handle special projects and customer events. Second-generation siblings Greg, Nathan and Matt and their spouses are continuing to refine their roles as managers of their respective areas. They've expanded their seed cleaning capacity and started evolving into food-grade seeds, such as quinoa and faba beans, as well as malting barley for brewing giant Coors. "The opportunities look big to me," Greg says. "Soon, my challenge will be how to introduce new responsibilities to my kids in the same way my parents did with me."

Too young to retire

BY KEVIN HURSH



When we met Shaun and Ellen Grueter in March 2018, their goals were clear: They wanted to become full-time farmers, move from the small city of Humboldt, Sask., to the country, and raise a family on the farm. When not at his full-time job, Shaun had been putting in long hours farming alongside Ellen's dad George Hinz. In exchange for the labour he provided, Shaun used George's equipment as well as his own to farm rented parcels.

Despite being immersed in farm life, at the time we featured them, the Grueters didn't own any land for a house or shop, hadn't benefited from the equity bump generated by rising land values and were still some distance from generating sufficient farm income to give up their full-time jobs. Realizing their dream seemed a long way off, the logical solution seemed to be for Shaun and Ellen to take over the farm from Ellen's parents.

The catch: George was only 53, too young to retire – the timing wasn't right to simply hand over the farm. Transition talks also needed to consider George and his wife Caroline's three other daughters. "Farm financial experts point out that each generation can't afford to re-buy the farm," Ellen said, "but we want everything to be fair for my sisters. And the most important thing is family harmony."

Update: Transition continues to be a carefully managed discussion among these family members. But Shaun and Ellen have taken a big step towards farm living – George and Caroline transferred title to a quarter section across the road from the farmstead to their daughter and son-in-law, on which they could build their own home. The Grueters didn't waste any time – they worked on lot development through the spring and summer and moved in early in 2019.

"It was bare field with nothing on it, but it's ours, and we're making it our home," Ellen says. "For us, being out here is huge."



Fresh start for Quebec dairy farm

BY NICOLAS MESLY



Plans for a farming future can take a new and exciting path, especially when children develop a keen interest in a related area. For Roger and Pier-Luc Massicotte, that area was genetics. At the time we interviewed Pier-Luc in September 2017, he was boasting sales from a \$4,200 cow earning him some \$250,000.

Pier-Luc's passion for genetics began in 2009, and when we spoke with him, he was managing an elite herd of 118 lactating cows that produced milk at volumes one-third higher than the national average. This is partly attributed to a lifetime on the farm, and partly a dairy production diploma (DVS) that he completed at the École d'agriculture de Nicolet. He followed this with nine months of work experience at Morsan Farms, a 1,500-cow operation in Alberta.

Business had been part of the Massicotte DNA since they settled in the region five generations ago. Pier-Luc's grandfather and Roger's dad, Paul Massicotte, founded the farm in 1984, bringing together his four sons and their families. The farm diversified so that 70 per cent of revenues are generated by food production and processing. But with the next generation looking to join the business, they had to find ways to make transition part of their plans or hatch a new plan.

In 2009, taking a gamble on his experience and his son's youthful energy and enthusiasm, Roger decided to start a fresh, new dairy farm – Massicotte Holstein Inc. But first he needed quota, animals, land, a barn and construction permits. And he wanted to have it up and running by early 2010.

"I had assets of \$1 million, and requested \$3.5 million to finance my business plan," Roger said. The plan outlined the decision to invest in production assets: quota and land only, as the land area did not justify investing in machinery. All the work – sowing, spreading manure, harvesting – would have to be contracted out, including hay to feed the cows.

With financing in hand, father and son visited a dozen or so farmers in the province to purchase cows and form their new herd. "That was the best part of this entire process," Pier-Luc said.

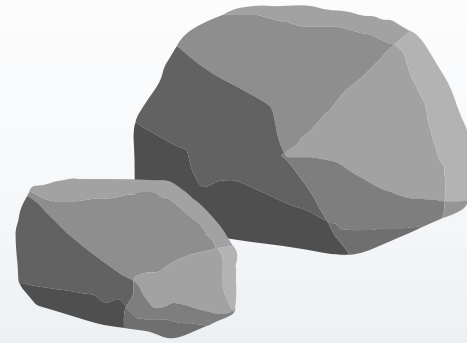
A high debt-to-production ratio left no margin for error. Over time that ratio lowered. They had acquired 80 kilograms of quota, 50 cows, 80 heifers, 15 hectares of land, and built a building for the animals.

Update: Massicotte Holstein Inc. is continuing to grow. The operation now has 220 kilograms of quota. The old tie-stall barn plus a new free-stall barn house a total herd of 360 head, half of them milkers. The Massicottes have brought in workers from Guatemala to help with labour. As well, the family has continued its plans to make sure the next generation is engaged by branching out into growing asparagus, planting 25 acres for the first time last year. "We wanted to try something new to keep some of our family members interested," Roger says. "It's much different than milking cows." ■



Pick up your **big rocks** first

FROM AN FCC EDGE PODCAST WITH
KEVIN STEWART



Growing up on the farm, I recall one job that my dad insisted had to be done before the seeders could roll. I'm talking about picking stones.

We all agreed picking stones was boring and often backbreaking work. We all understand the concept of doing first things first, but it takes great discipline to actually follow the principle.

When you put first things first, you ensure a life and business that's under your control because you're actually following the priorities you establish.

Stephen Covey, author of the book *First Things First*, identifies what he calls the Big Rocks that help us make the most of each day. The Big Rocks principle works this way: choose a few big rocks each day to work on first, so you're sure to get the important stuff done. The rest of your time can be carved up with smaller tasks. Just like picking stones before seeding, the Big Rocks approach sounds good, but in reality it takes discipline to make it happen.

Running a farm can be like taking care of a toddler. Some days it seems like you're not in control of anything as you respond to one near-crisis after another. While you may get used to working in this constant state of distraction, you're only working at a fraction of your potential. During these times, the best you can hope for is to complete some of the urgent tasks and simply put off the important items to another day.

Is there a way to choose a few big rocks each day so you get the important stuff done? Let me offer three tactics I developed on our farm.

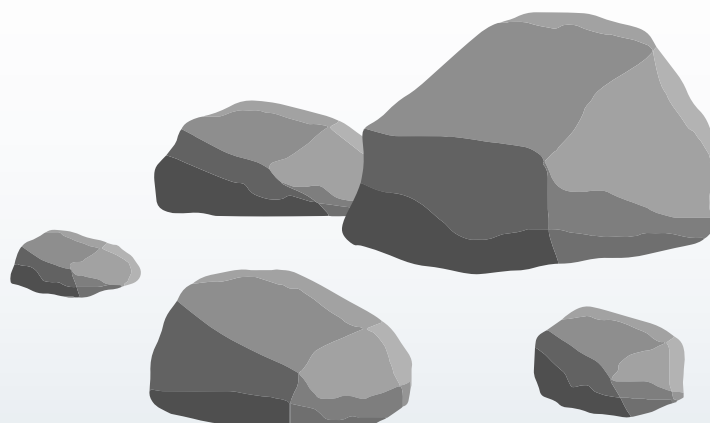
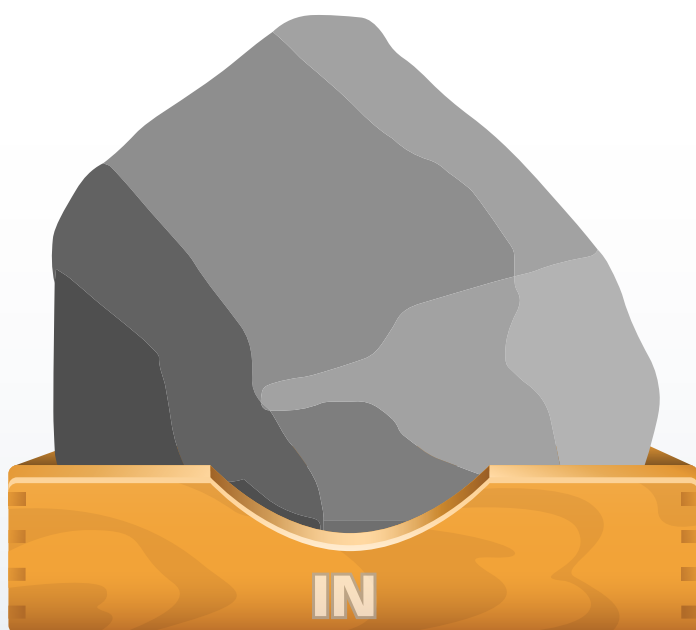
Rethink

In order to do first things first, it may require that you rethink what the big rocks are. Try creating two lists, one highlighting the big rocks, those things that are important. The second list should include those things that typically seem urgent. This distinction is crucial because important issues keep your life and your business on track. Things that appear urgent typically steal your control of the day. As you make your lists, here are two considerations:

- It's okay to include profit, health and family as big rocks
- Anything that is the result of pressure from people or obligation is often a small rock

Use time wisely

The next trick in doing first things first is timing. The National Institutes of Health reveals that our brains are at their best right after we wake up. If you rise early, this is typically the quietest time of the day as well. This first hour is your golden opportunity, so use it wisely. I know many farmers who reserve



this hour solely for their big rock issues. These producers view the first hour as being so important they guard it with boundaries to ensure they don't get distracted by the little rocks first.

When you wake up tomorrow, try an experiment. See if you can avoid little rocks in that first hour – things like returning calls, going online, looking at emails or responding to texts. If you want your business to remain grounded, turn your smartphone to airplane mode for the first hour.

Say no

The final piece that ensures I do first things first each day is that I've learned to say no. If you're like me, you're a people pleaser. Saying no can be tough. For your own sanity, it's important – so give yourself permission to say no.

If you need to attend every meeting, or be part of every decision on the farm, you have some trust issues. Learn to delegate responsibility and let your people show you what they can do. Pick your big rocks – the charities you support, the places you volunteer, the jobs you do on the farm – then delegate or say no to the rest. ■

3 STEPS

TO STAY ORGANIZED AND MAINTAIN PRIORITIES

- 1** Plan ahead – create two lists, one for larger tasks, and the other for smaller ones
- 2** Focus on your most important tasks first thing in the morning – timing is everything
- 3** Don't try to do everything yourself – learn to delegate tasks that can be handled by others



Communication is key to successful farm transition

BY BERNARD TOBIN

Communication is critical for successful farm transition – and it's good for everyone to get involved in the conversation.

Over the past year, AgriSuccess contributors have emphasized the need for farm parents to ensure their children understand that fair doesn't always mean equal; our experts have also stressed the need for young people – the next farming generation – to start a transition discussion.

How can parents be fair to non-farming children when one child is taking over the farm and will inherit the bulk of assets? It starts with communication, says Valerie Panko, an FCC agriculture transition specialist based in southern Saskatchewan.

“A child often views an inheritance as how their parents feel about them, sometimes in relation to other siblings. If one child is receiving the farm and you're worried about how the other children will feel, talk to them,” Panko says. Let them know you're aware of the discrepancy and explain why it exists. Most non-farm siblings realize the investment required to keep a farm viable and don't want to see their family farm torn apart and sold to satisfy a sense of perceived equality.

In many situations, children mistakenly use the dollar value of an inheritance to gauge how their parents view them. “Don't rely on numbers and assets in your estate after you're gone to

communicate the final word to your children that may misrepresent your true feelings,” Panko cautions. Use words and actions to show your children you care about them and how they feel. Telling them about the contents of your will allows them to voice their objections (if they have any) and can eliminate conflict between siblings after death.

Panko acknowledges that fair is not always equal when it comes to farm transition, but there are steps you can take to balance the large farm asset that will one day be one child's inheritance. For example, many families try to accumulate a cash legacy to leave to non-farm children when they die.

Understanding farm assets

It's also important to remember that a transfer of \$1 million in farm assets can't be viewed the same way as \$1 million in cash, notes lawyer Rick Van Beselaere, who draws on more than 30 years of experience at Miller Thomson LLP.

“A child getting the farm assets has the ongoing business risk that is farming, and the farm assets are not liquid. In addition, the \$1 million in cash will return value, but \$1 million in farmland needs the hard work of the farming child to generate anything,” Van Beselaere notes. Whether the farm child or



children have contributed more to the farm business than their siblings may also be a factor. Every family has to come to its own conclusion about what is fair.

Life insurance can also be an appropriate planning tool, but with the increasing value of farm businesses, it may not be the only tool needed. Another strategy is to pass some of the farmland to non-farming children, says Van Beselaere. Agreements can include the right of the farming child or children to lease these lands from the non-farming family. Mortgages can be provided in favour of the non-farming child or children to provide for future payments.

Growing beyond parental expectations

Farm transition expert Dr. John Fast emphasizes that any successful farm inter-generational transition is fundamentally a business transaction. That means young people need to start the conversation to show their parents they mean business.

“I have found that young people who begin with a business approach will tend to be taken more seriously,” says Fast, who’s based in Waterloo, Ont. He believes young people need to start with a researched and credible financial proposal and

“demonstrate you’re prepared to talk about getting some skin in the game and have a non-entitlement attitude,” he advises.

“You want to be taken seriously. Being able to converse more intelligently about finances makes you a more serious and interesting conversation partner to your parents,” says Fast. “And it makes it harder for them to dismiss their next generation offspring as children, whether they’re 21 or 51 years of age.”

Both Fast and GRS Consulting Ltd. succession advisor Merle Good agree it benefits young people to take initiative and do their homework. “Succession should be defined as the continuation, not transfer, of a family farm business. This continuation requires a process over time of joint active roles and participation by both generations.”

Good believes that effective communication within the family is vital but young people need to tap into other sources to help them shape and contribute to their farm transition.

“Talk to other young farmers, discuss these challenges and then make your decision. Remember, don’t ask what the business can do for you, but rather what you can do for the business,” Good says. “If you simply are involved in your parent’s plan, you will remain an employee.” ■

Baby steps to bigger profits

FROM AN INTERVIEW WITH KRISTJAN HEBERT



Let's start with a baseball analogy. A .300 batting average versus .250 is just one more hit every 20 at-bats. It doesn't sound like much, but when you replicate it over a season it can really add up. Now imagine a canola farm that's had a five per cent improvement on yield, a five per cent improvement on marketing and a five per cent decrease in costs. In theory, this should only be a 15 per cent improvement – but it actually adds 117 per cent more to the bottom line.

How big is that in a typical farm commodity?

The example canola farm here had a net return of \$50 an acre. Doing three things five per cent better each made it \$108.50 – more than double. If you draw 50-mile pockets in Western Canada, in many of those pockets one farmer will make \$100 an acre more than his peers, proving the five per cent difference can be huge.

Toward a five per cent improvement

- A good relationship with your agronomist can help improve efficiencies. Is there a better macronutrient package? Have you used potash or seed treatments? How good is the germ on your seed? Have you looked at thousand-kernel weight?
- Investing more inputs may seem counterintuitive cost-wise, but using more inputs often correlates directly to your gross margin. That said, sectional control on our farm led to an eight per cent decrease in inputs with no change in yield.
- What is your overlap difference on autosteer? Can you get 24-hour shifts because of autosteer? What is your real depreciation? What are wages to third parties, fuel, custom work, leases, the cost to get it done?

- Two farms could grow the exact same number of bushels and sell for the same price, and one could make \$100 an acre more simply because it is more efficient. One question is this: Am I over-equipped? How many more acres could I farm with my same equipment line plus or minus one human?
- Consider accrual accounting – recording revenues and expenses when they're incurred, not when cash is exchanged. I wish accountants, consultants, insurance agents and bankers would force it on agriculture. It completely changes the relationship with lenders. Knowing your debt-to-equity ratio and debt servicing ability completely changes how well you can plan for the future.

The bottom line is, have a plan and know your cost of production. If you always lock in profits, it's really difficult to go broke. ■

EXAMPLE CANOLA FARM		5% IMPROVEMENTS
Canola Yield	40 bu/ac	42 bu/ac
Price	\$10.00 /bu	\$10.50 /bu
Gross Return	\$400.00 /ac	\$441.00 /ac
Total Costs	\$350.00 /ac	\$332.50 /ac
Net Return	\$50.00 /ac	\$108.50 /ac

A large blue hand holding a red fork, surrounded by colorful triangles.

FORKS UP for Canadian ag

Canada's Agriculture Day is February 11, 2020. Let's raise a fork and celebrate the food we love.

Share the love on social and use **#CdnAgDay** when you do.

AgDay.ca | **#CdnAgDay**



**CANADA'S
AGRICULTURE
DAY**

FIVE THINGS

EVERY ASPIRING FARMER SHOULD KNOW



LEARN FROM OTHERS

Talk to other farmers in your sector, attend farm open houses and twilight tours, go to industry education events. Ask questions and listen to the advice of those who've been there.



SCIENCE MATTERS

A lot of problems in farming can be solved by understanding the science behind the issue affecting the crops or livestock you're growing.



BE PATIENT

Building a farming business takes time and curve balls can come in many forms, so growth and success won't happen overnight.



LOVE WHAT YOU DO

Agriculture takes passion and dedication, and you're likely to struggle with success if you're not committed to the farming lifestyle.



GET STARTED

That first opportunity might not be entirely ideal and taking that first step can be the hardest decision you'll ever make – but you won't realize your farming dream without it.

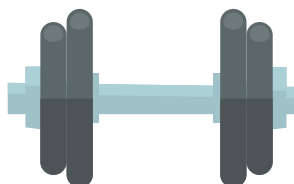
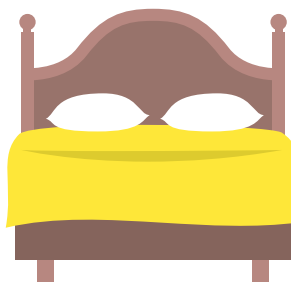
Source: FutureOfAg.com

HOW DO YOU REDUCE STRESS?

Who hasn't been passed a book by a friend who stated, "You need to read this! It will change your life!" Or another who says, "You should take up running. Running clears your mind." And as a result, you try them out, but they feel like a too-small pair of boots. That's okay.

Give yourself permission to experiment. Find what works, even if it's nothing you've ever been told before. Try it, you might find it effective. But if it isn't – just try something else. The key is to keep searching for your own solutions.

Adapted from Adelle Stewart, Bridges Health



SIGNS YOU MIGHT NEED A BREAK

Sometimes we don't realize we need a break, a breather, or simply some space. Here are some signs that you may need to take some time to recharge and rejuvenate. Remember – you can't pour from an empty cup! Take care of yourself, too.

CARELESS MISTAKES

1 Tiredness and stress can lead to poor performance that has nothing to do with your ability to do your job. If you find yourself making frequent mistakes, schedule a decent break.

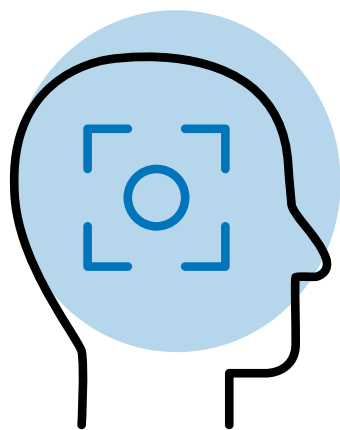
Adapted from Business Optimizer

RESENTMENT TOWARDS FARM AND FAMILY

2 Stress or tiredness can affect your ability to cope. When you start to resent the chores you need to do or feel you're just going in circles, that resentment creeps into your behaviour towards others. And that puts all your relationships at risk.

FANTASIES ABOUT QUITTING FARMING

3 It's natural to have plans for the future, but if you spend hours dreaming about quitting this industry you once loved – without any plans about what you're going to do next – take it as a warning sign.



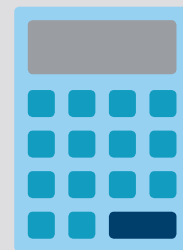
SIMPLE WAYS TO BOOST THE HAPPINESS CHEMICAL

Serotonin is a neurotransmitter believed to help regulate mood, memory and more.

- **SLEEPING**
It helps us avoid becoming over-emotional.
- **SMILING**
Even a pretend smile helps.
- **SPORTS**
Brief, intense exercise is ideal for the brain.
- **SOCIAL CONTACT**
Physical interaction with other human beings reduces stress.
- **SPIRITUALITY**
Nurture a connection to something bigger than yourself.

Source: © Dr. Georges Sabongui, all rights reserved

TOP TAX TIPS



1. Check qualified farm status

Qualified farm status gives producers access to the capital gains exemption and inter-generational farm transfers on a deferred basis. Large custom work operations, for example, can put this at risk since custom work is not considered farming.

2. Use partnerships

Consider the use of partnerships as a platform for succession, income splitting and use of the capital gains exemption. Bring lawyers, tax advisors, succession planners and other experts into the discussion.

3. Meet with your tax advisor

Rules change regularly and taxes are complex. Meet with your tax advisors for help navigating the system and making the best choices for your operation.

Tax season can be easier with accounting software built for the farm, such as AgExpert Accounting.

Source: Trudy Kelly Forsythe



Worker shortage puts spotlight on creative hiring

BY KIERAN BRETT

It's no secret that workers are in short supply in agriculture. Despite having posted strong growth in recent years, Canadian agriculture often struggles to match people with positions.

Why is it so hard to hire good folks? Start with the fact that the agriculture industry can be highly seasonal in its need for workers. Add to it that most agriculture jobs are in rural areas, while most Canadians live in cities.

Looking to new sources to meet hiring needs

Recruiting for agriculture today requires a different way of thinking. Some Canadian producers will need to start targeting workers who are only interested in working part of the year or partnering with employers who have offsetting seasonal patterns. The great opportunities and good wages to be found in agriculture need to be promoted.

Canadian Agricultural Human Resources Council (CAHRC) advises that immigrants, young Canadians, women and Indigenous people offer a viable solution to this challenge and bring fresh perspectives and new experiences to the workforce. This is particularly relevant when kids who have grown up on the farm choose a career path that doesn't include working on the farm.



Recruiting people who don't have farming experience can be an asset, and less limiting.

Creative solutions for seasonal worker shortages

Paul Doef, owner of Doef's Greenhouses near Lacombe, Alta., had a different challenge when it came to finding workers for his 11-acre greenhouse operation.

The highly seasonal nature of the commercial greenhouse business meant he was often re-hiring or re-training new team members after a winter break.

Doef tackled it as a production opportunity rather than a people problem. He changed his business infrastructure to include high-tech lights so the greenhouse could create consistent, year-round production. Doef's seasonal labour headaches disappeared.

"Now we can use the same crew all year," he says. "It's a huge advantage to us to be able to offer our employees year-round employment."

Promote working in agriculture as a lifestyle

Portia MacDonald-Dewhirst, executive director of CAHRC, explains that although Canadian producers are feeling the labour

pinch now, the growth of the agriculture industry has resulted in a wide range of opportunities for workers.

"The sky is the limit for this industry," she says. "It all comes down to having enough workers to ensure businesses can meet their production targets or expand their operation to meet new business demands as the industry grows."

In MacDonald-Dewhirst's view, the industry must focus on communicating why agriculture is such a great place to work. She points to trends that spell renewed interest in agriculture, such as the local food movement and the development of the "gig economy" in which workers cherish short-term work assignments.

While earlier generations tended to love permanent, full-time jobs with a singular career trajectory, more people today want something that's flexible, seasonal and requires no long-term commitment.

"Research is clear that people are looking for something new and different," MacDonald-Dewhirst notes. "That can work to our advantage in this industry. We need to ensure that people know the agriculture and food industry is open for business, is hiring and is a really interesting place to work." ■

Tips that will make a difference

- Be willing to hire someone who may not have agricultural experience but does have the right attitude
- Seek to hire outside of traditional agricultural labour sources
- Adjust production to offer year-round employment
- Promote the advantages of working in agriculture and a career in ag as a lifestyle

A panoramic view of Canadian farmland values

Farmland is an investment that is expected to increase in value over the long term. But during that time, periods where the growth rate is lower or higher can be expected.

When FCC began formally reporting trends in farmland values in 1985, the average value of Canadian farmland was largely on a downward trend. However, in 1993, average values suddenly began to increase and have never looked back.

A growing world population and rising incomes led to a stronger food demand globally. Modern agricultural practices, technology and trade opportunities provided incentives for producers to expand their operations, which increased the demand for farmland as supply of available farmland remained tight.

Average farmland value increases were more pronounced from 2011 to 2015 in many different regions. In 2015, the average increase was 10 per cent, and since that year,

Canada has seen more moderate single-digit increases in average farmland values. Average farmland values were showing only modest increases for the first half of 2019.

The national average for farmland values fell from a 6.6 per cent increase in 2018 to a three per cent increase in the first half of 2019. If this increase held steady for the remainder of the year, it will be part of a five-year trend of softening growth in average farmland values.

FCC's farmland values report for 2019 will be released this spring and provide a final assessment of farmland trends for 2019.

We appear to be moving into a time of cautious buying, where producers are focusing more on improving productivity and building resilience in their operations.

The balance sheet of Canadian agriculture is still strong, but pressures on net farm income and the fact that farmland values have climbed rapidly in the past may be giving some producers reason to pause. Others may have already expanded their operations and are now exploring other strategic investments.

FCC KNOWLEDGE

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Different economic conditions may have also taken some of the steam out of farmland values. Changes in commodity prices, uncertainty around global trade and some challenging weather conditions introduced downward pressures on farm income. While the cycle of rising interest rates paused in 2019, many operations recorded higher borrowing costs in the previous two years.

Farmland values are a barometer of the underlying strength of the agriculture sector. They should continue to increase over the long run as the world's insatiable appetite for food continues to grow, and so the panoramic view of Canadian agriculture remains positive. ■

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Skill versus scale

BY LORNE McCLINTON

Farm size matters when it comes to maximizing profitability, but bigger isn't always best. Skill and management ability are every bit as important.

Roger Mills, a dairy business consultant from Steinbach, Man., says his benchmark comparisons show the most efficient producers are between 10 and 15 times more profitable than the average. Furthermore, this profitability advantage holds true whether you're discussing smaller or larger operations.

These numbers reflect a common trend across the world. John Roche, an international dairy consultant based in New Zealand, says when prices drop, only the best managers are making money.

Efficiency is the first step

A well-managed larger operation benefits by spreading fixed costs over a larger revenue stream, Mills says. However, they need to be very efficient before they consider expanding. "It doesn't do you any good to try and get bigger just for the sake of getting bigger," he says. "If you aren't efficient at the size you are

currently, it doesn't matter how much bigger you're going to get, you're not going to become any more efficient." His advice is valid no matter the country or sector of agriculture.

Managing debt level is critical to efficiency, Mills says. He's adamant the producers he works with devote no more than 30 per cent of total gross revenue to servicing debt, as exceeding this level can put a severe strain on the business.

"Putting up quality forage and balancing the ration with supplements or concentrates helps optimize yield per cow," Mills says. "Paying attention to details like breeding and heat detection are very important, even when you get busy in the summer. They make a big difference to your operation in the long term."

Are you an elite producer? Benchmark to find out

"If I stand in a room with a group of farmers and ask, 'who here is an above average farmer?' every hand will go up," Roche says. "If I ask who is a below average farmer, every hand will stay down."

BENCHMARKING YOUR OPERATION

CAHRC Benchmarking Tool: <https://hrtoolkit.cahrc-ccrha.ca/tools/benchmark-en/>

Farm Management Canada's Farm Productivity Tool: <http://agrifoodproductivity.ca/>

If you work with a financial professional to analyze at least five years of your farm's financial records, you can generate a financial map of your operation. Then when you compare them against sector benchmarks, you can see how you stack up. If you don't fare well, you can look for where the anomalies lie and where improvements should be possible.

A different measure of success

Roche met with a group of dairy farmers from the Waikato in New Zealand. One producer's financial information showed he was 30 to 50 per cent more efficient than most farmers with profits ranking among the top 20 per cent of his benchmarking group. When asked why he wasn't pushing the envelope to produce more milk and make more money, Roche was deeply moved by the answer.

"The farmer said, 'I want to spend more time on my boat with my wife and my three young children during the summer, rather than on the tractor feeding cattle. I'm making more than enough money doing what I'm doing.'" His skill, rather than scale, is generating both the profitability and lifestyle he desires. ■

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