

MARCH 2020

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**MUSHROOM SUCCESS**



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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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# FCC Input Financing

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# DO YOU KNOW YOUR COST OF PRODUCTION?

BY LORNE McCLINTON

It's becoming increasingly important for farmers to know their cost of production (COP) numbers to maximize profits and minimize potential losses. They're invaluable early warning signs that financial trouble spots may be ahead.

Knowing actual COP is a "critical first step" in keeping a finger on the pulse of the operation, says Darren Bond, farm management specialist with Manitoba Agriculture and Resource Development in Teulon, Man. "Usually crop production is calculated on a per-acre (or per hectare) basis for grain operations and then converted into a cost-per-bushel (or tonne) sold."

Cow-calf producers will commonly assess COP on a dollar-per-cow basis. Some are now using dollar-per-pound of calf weaned instead, because weaned calf sales are their main source of revenue. To calculate the breakeven point, divide the herd's total production costs by total pounds of calf weaned for a per-unit COP.

"Calculating your numbers can seem daunting, but it doesn't have to be overwhelming," Bond says. There's no need to reinvent the wheel if you start with a template available from your provincial agriculture department, or software like FCC's AgExpert Field.

"It's really important to personalize them by entering your own numbers," Bond says. "Everyone's COP is so different that only your own figures will give you the information you need."

COP is broken down into two broad categories: fixed and variable. Fixed costs are expenses like land and equipment payments, depreciation, property taxes and personal withdrawals. Variable costs include seed, fertilizer, fuel, repairs and livestock feed.

"Most farmers have a pretty good understanding about what their variable costs are per acre, but it can be tricky trying to determine fixed costs," Bond says. "I usually advise producers to start by entering their actual land and equipment payments, labour costs, and living costs, and averaging them over their acres."

A grain and oilseed producer's fixed costs might be \$150 an acre, but variable costs would be different for every crop. Canola might come in at \$450 and oats at \$325, for example. So when the fixed and variable numbers are combined, the breakeven cost for canola would be \$600 an acre and oats would be \$475.

Once you know your numbers, use "What if" scenarios to show how you would fare under different yield and price combinations to determine which crops have the most profit potential. Using the example from the previous paragraph, a 50-bushel canola crop would have to sell at \$12 a bushel, and a 125-bushel oat crop at \$3.80 a bushel, to break even.

You absolutely need to know your COP to make informed decisions in your farming operation and reach out for expert advice when in doubt. ■

## CALCULATE YOUR COST OF PRODUCTION

Your numbers are unique to your operation, so ask yourself these questions:

- What is my breakeven cost considering fixed and variable rates for each commodity I produce?
- How would I fare under different yield and price combinations?

**FCC Ag Expert Field** can help you calculate your COP



# Simple formula fuels ***MUSHROOM SUCCESS***

BY BERNARD TOBIN

*A drive to succeed, a strong work ethic and incorporation of global innovation trends gives a mushroom farmer the edge he needs – and **\$50 million in sales** to show for it*





## This year marks the 40th anniversary of Tan Truong's arrival in Canada.

Like thousands of other Vietnamese refugees, in 1980 he made a treacherous journey across the Pacific Ocean in search of a new life that took him to the shores of British Columbia. With no knowledge of English, Truong relied on a staunch work ethic to find his way. His Canadian journey started with work as a chicken catcher on a poultry farm, but he soon found his way to a mushroom farm.

Truong still works on a mushroom farm, but things have certainly changed. In four decades he's become founder, president and CEO of Abbotsford, B.C.-based Ross Land Mushroom Farm. Today, his farm produces 30 million pounds of mushrooms annually and generates \$50 million in sales, including products marketed under its Farmers' Fresh Mushrooms brand.

Truong believes two simple rules have fueled Ross Land's success – work harder and work smarter. “We don't have any secrets,” he says. “If there's any difference, I think we work harder. We work as a team and everybody's voice is important.”

He proudly explains how his harvesting employees can make a difference. “They know their job better than the management. They can speak to us any time about their concerns and offer opinions to improve production,” Truong says. Ross Land's secret weapon, however, is likely Truong himself. He lives on the farm site and admits that he is committed to his job all day, every day. “Everything is my job and everybody else's job is my job, too,” he says.

Working smarter for Truong includes greater use of innovation and mechanization. After working for several years on a chicken farm, Truong moved to Vancouver where he studied to become a machinist. With a mechanized mindset, he then returned to the Fraser Valley to work on a mushroom farm. Before long he and a partner started to build the Ross Land mushroom operation.

The farm's main location now boasts four mushroom production barns, a composting facility and a warehouse. The business also extends to supplying compost for other mushroom farms, which brings with it the exclusive right to purchase mushrooms from these growers.

Innovation has played a key role in the growth of the operation, explains Truong. When he started the farm in 1995, he realized that North American mushroom technology was 10 years behind that used by European producers. The biggest European advantage was the technology they used to make compost, a combination of manure and straw, which forms the foundation of mushroom production.

When Ross Land started growing mushrooms, its compost was produced more than a three-hour drive from the production barns. Trucking was expensive and Truong looked for ways to minimize cost and increase compost production efficiency on the farm.

In Europe, Truong learned of a better composting method: it incorporated pasteurization and a conditioning process to remove ammonia, which improves mushroom production. Truong admits that early efforts to adopt the composting system didn't go as he had hoped, but they learned from their mistakes. When the kinks were ironed out, the farm had reduced its mushroom production cycle from 10 weeks to seven and a half.



Later, Ross Land would incorporate more innovative composting techniques, further reducing production cycles to five weeks.

As the business continues to grow, Truong sees both opportunities and challenges ahead. The biggest hurdles come in the form of food safety, environment and labour demands. He'll continue to leverage innovation to tackle food safety demands for cooling and refrigeration, adjusting and adapting where needed. Robots will also play a role in producing and harvesting mushrooms as labourers willing to work on mushroom farms, and throughout all sectors of agriculture, become more difficult to find.

Truong, however, is not the kind who is easily deterred. "We're very excited about the mushroom business. People want more vegetables and mushrooms are one of the main items on their table," he says. Overall, the mushroom sector contributes close to \$1 billion a year to the Canadian economy, reports Mushrooms Canada.

Truong also notes that mushroom production consists mainly of agricultural waste – straw and manure. He proudly points out that mushroom growers combine this waste to produce a nutritious food that provides jobs for many new Canadians. "We do our best to put two waste products together to become a good thing for life and employ a lot of people."

Today, Farmers' Fresh Mushrooms produces a wide range of conventional and specialty mushrooms for the North American retail and wholesale food industry, explains Tim Truong, Tan's son who recently joined his father and mother, Hue Huynh, in the Ross Land business.

Tim grew up on the farm, and like many farm kids, decided he didn't want to work in the family business and set out on his own path. But after earning a law degree and practicing for a few years, he decided to head home to the farm.

When asked for one word that best describes his father, Tim offers up "respect." He says you can't help but respect Tan's work ethic and his 40-year journey, but what makes the farm's founder unique is his ability to respect and value others.

"The old man said I should get a real job," Tim chuckles. "The business has grown so much and my dad has a great team. I just have to be part of it." ■



## ALWAYS KEEP IMPROVING

Within the Truong's success are some smart business principles that can be applied to almost any farming operation

**Invest and work hard:** The greater your investment, the better and more bountiful your harvest. Investment may be physical (putting in the hours) or mental (an awareness of where improvements could be made).

**Innovate:** Keep eye on new and evolving production trends – locally and globally. Implement those that improve efficiencies.

**Adapt:** When changes don't produce expected results, evaluate what's working and what isn't and make adjustments. Know your numbers before you make any changes and measure all progress.

**Reduce loss and waste:** Reducing loss and waste may mean a small change (adding wheels to a cart) or something larger (cutting out a three-hour drive for compost). Knowing where loss is occurring is the first step. See page 10 to read more.

**Count on your team:** Your employees are your greatest asset. As they learn more about the business and its intricacies, they may also have valuable suggestions for improvements. Ask, listen, learn and implement – and give credit to those who helped make a positive difference.





# KEEPING UP WITH EVOLVING PROTEIN TRENDS

BY KEVIN HURSH

How worried should Canadian livestock producers be about plant-based meat substitutes?

Plant-based burgers have become a major food trend in just the last couple of years. They're available in the meat aisle of your local supermarket and they're heavily promoted by major restaurant chains like A&W, Burger King and Subway.

Even McDonald's, a champion for the beef industry in Canada, is testing the market. Ontario was chosen as their worldwide pilot for the P.L.T. burger (plant, lettuce and tomato) involving 28 restaurants in locations such as London and Sarnia. If McDonald's – with its global footprint – embraces plant-based alternatives in a significant way, supply will have to ramp up dramatically.

Pulse crop growers, particularly field pea producers, welcome the growing demand and major pea protein processing facilities are in various stages of being commissioned at locations across the Prairie provinces.

Food professor Sylvain Charlebois with Dalhousie University in Halifax has followed the "protein wars" closely and has written and presented extensively on the topic. In his view, the rise of plant-based burgers and other meat alternatives is not necessarily negative for the livestock industry.

While it's true that a consumer eating a plant-based burger might be forgoing a meat burger, the new products also cater to consumers who didn't regularly eat much or any beef.

As well, Charlebois believes more choices bring more total sales, a bigger pie. It may seem counterintuitive, but he says when you stop adding competition, margins tend to shrink.

"The trifecta of meat choices – beef, pork and chicken – has become somewhat boring," Charlebois says. "We need to bring more excitement to the meat counter." While he admits the volume of meat sales in North America may slip, he believes that could potentially be offset by prices and margins going up.

However, the well-travelled food professor has never been comfortable with the strategy of imitating beef. Beef is a pure product without added ingredients and specialized processing. In addition, the beef industry has a strong sustainability story.

"Beef producers are some of the best environment stewards," Charlebois says, adding that they haven't been able to effectively make their case. "Is a plant-based burger environmentally better? Is that the right comparison?" asks Charlebois. He would prefer to see the plant protein sector develop products and a marketing approach that stands on its own merits.

How the marketplace will evolve is anyone's guess. If Charlebois is correct, there may be no real losers. Ideally, it will be a win for consumers, plant-based protein and traditional meat products. ■

# Bright minds from the University of Manitoba's faculty of agriculture and food sciences

BY OWEN ROBERTS



## Brian Archibald

**Program:** Bachelor of science in agribusiness

**Hometown:** Killarney, Man.

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

I plan to continue grain farming alongside my family while increasing my level of responsibility to take over a larger share of the management. It's our goal to

continue to expand our operation, increase profitability and remain viable into the future for generations to follow. I'm always open to trying new ideas that will help increase margins as well as efficiencies. I hope that in the next five to 10 years we continue to build on our existing foundation, but also find other ways to streamline our operation that allow it to grow and thrive in the years to come.

### Why did you choose this path?

I grew up on the farm, and like most farm kids I became involved from an early age. I feel very lucky to have the opportunity to farm alongside my family. It's something I cherish daily. As farmers, we're very fortunate to work in an industry that's constantly advancing and changing, and I really enjoy the diversity from day to day. The opportunity to do what I love, and to be constantly learning from my parents as well as the industry, is something I really appreciate. Seeing the constant industry advancements really excites me for the future of our farm.

### What tips do you have for others?

Get involved in as much as you can, and as early as possible. Through my experiences working in the industry and studying at the University of Manitoba, I have been fortunate to make contacts with people from all over Canada in various areas of expertise. These individuals have proved to be invaluable friends as well as resources. The agriculture industry is so diverse that by building these relationships you can always find a friend to ask. There is so much to learn from others.



**University  
of Manitoba**

## Faculty of Agricultural and Food Sciences

- Is in Winnipeg, Man., at the Fort Garry Campus
- Began in 1906 as the Manitoba Agricultural College and joined the University of Manitoba in 1924
- Has research stations around Manitoba with 2,200 acres in cropping and livestock production, including a modern dairy facility, the longest running study of organic crop systems in Canada and a public outreach centre with windows into a working swine barn





Brian Archibald



Jill Martens



### Jill Martens

**Program:** Agribusiness diploma

**Hometown:** Boissevain, Man.

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

I plan to be farming! I work with my family on our mixed farm. We have a grain operation, market edible bean seed, and have a purebred Charolais cow-calf herd. Working with my family is

amazing. We work hard and have a lot of fun. Taking the agriculture diploma program at the U of M has equipped me with management skills that I'm excited to implement at home. Some practical examples include creating feed rations, fertilizer recommendations and crop budgets.

#### Why did you choose this path?

I am passionate about producing quality food. Considering high land prices and start-up costs, I'm grateful for the opportunity to farm. My parents have been generous enough to employ, teach and mentor me, for which I am very grateful. I love the current dialogue between consumers and producers. To me, it's important to be able to explain our farming practices to urban friends and family. Public perception of the industry is a hot issue.

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

As a woman working in a male-dominated industry I have learned a few unique lessons. First, confidence goes a long way. Certain situations might be intimidating, but confidence is empowering. Second, relying on others for help does not demonstrate weakness. Having a good network of supportive friends makes all the difference – having someone to lean on for help dealing with farm stress. Connecting with peers who understand the challenges of farming has been another great experience from studying agriculture at the U of M.

- Is home to the Richardson Centre for Functional Foods and Nutraceuticals, a bioprocessing and product development facility focused on health-promoting compounds found in Prairie crops
- Is research intensive, with internationally recognized expertise and over \$13.7 million in external funding annually for basic and applied research programs
- Has over 1,100 students in diploma, bachelor's, master's and doctoral programs, ranging from crop and livestock management to plant biotechnology and human nutritional sciences
- Offers over \$875,000 in student scholarships and bursaries to undergraduate and graduate students ■



# Reduce loss and waste for next-level efficiency and productivity

BY LORRAINE STEVENSON-HALL

We all like the idea of reducing waste to increase productivity and efficiency. As you move into a new growing season, it makes sense to take a closer look at how you do things day to day. Taking a step back and looking at farm processes through a different lens can help identify and eliminate areas of waste and focus efforts on what's important.

It has been said that you can't manage what you don't measure. To make informed decisions about improvements, it's critical to take baseline measurements (records) and keep track over time. Keeping records and having a good understanding of input costs, expenses and production is extremely valuable. Improving productivity and cutting waste can only start when you know exactly where resources are going.

## Start big

When attempting to improve efficiencies, start with the big-ticket items. For crops, it's inputs and equipment operating costs. For greenhouses, it might be energy and labour. For livestock, it's probably feed, labour or animal purchases.

Know the per unit costs for major expense items and look for benchmarks for that specific cost – is your farm spending more than similar operations? Work your way down the list of expenses – if you find one that is out of step with benchmarks, target it as an area for improvement. Set realistic goals (maybe five per cent improvement) to get that cost under control. Initially focusing on the biggest expense items will allow for significant improvement in profitability with incremental improvements in cost control.

## Seeing a different perspective

Sometimes, spending more is the right thing to do. Take poultry for example – as an input, organic or a specific formulation in feed may cost more, but you'll get a premium price for providing what your customer wants.

It also depends on the return you expect. Spending extra on seed treatment, for example, might be the best investment you can make to get your crop off to a good start. There may be justification for higher than average costs. If there isn't, that item should be under scrutiny and a strategy put in place to manage it.

There are a few different ways to manage and push cost of production down. You may be able to increase kilogram of weight gain per kilogram of feed by changing a management practice. Maybe there are opportunities in marketing your product, or direct selling.

## Technology helps

For Kevin Vander Spek, owner of Bains Brook Acres Ltd. in Haldimand County, Ont., strategic use of technology lets him operate his 800-acre cash crop farm on his own. Using the same monitor screen in the planter and sprayers boosts efficiency in both jobs. Co-ordinated GPS technology enables auto-steer and section control, reducing spray time with less crop trampling and damage. It's much less tedious and means Kevin is less fatigued than if he was constantly focused on steering.

There are more ways to maximize GPS technologies. Many growers are finding that GPS-enabled auto shut-off switches on



planter units and spray boom sections deliver significant savings, especially if you have a lot of odd shaped fields.

It's not just product savings – double-planting or spraying often results in lower yields. With a defined and measurable payback, calculating how many years it takes to pay for the technology becomes straightforward.

When Kevin increased his acreage, it took two hours to transport his crop to a grain elevator. He knew that the cost of having his own grain handling system would be more affordable than hiring someone. Today, his on-site grain elevator allows him to harvest all day without extra labour and trucking costs.

Creating efficiencies need not be expensive or high tech to be effective. Decreasing travel time between work areas like Kevin did can be implemented on a simple scale. For example, wheels on greenhouse tables can save significant labour and time rolling tables around instead of carrying individual trays. Less strain means workers can be more productive and alert, which often translates into a safer workplace.

Efficiency isn't always about spending less – it's about spending wisely. Kevin may have higher per-bushel costs due to his investment in an on-farm grain elevator, but over the long haul his efficiency is improved because he's not transporting his grain off site.

“Bounce your ideas off other people,” Kevin says. “Get advice from professionals and find out if what you think is a good idea really is when it comes to improving efficiencies. It's fairly simple stuff but allows me to farm 800 acres of corn and soybeans on my own.” ■

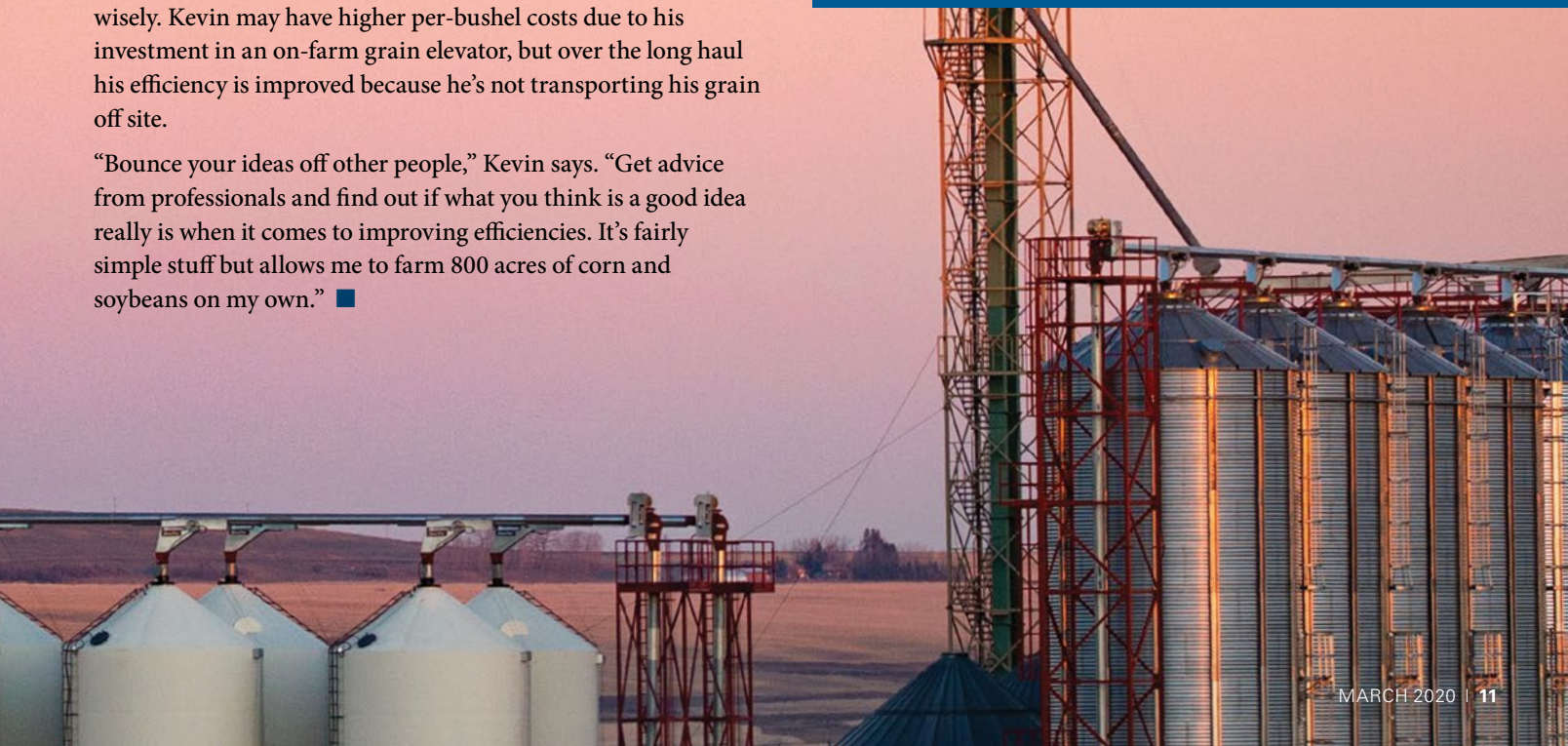
### *Key steps*

to reducing loss and waste in your operation

1. **Identify** where value is created
2. **Map** all steps in the **value stream**
3. **Create a consistent flow** for every crop or project
4. **Identify** key processes and **solutions**
5. **Sustain the gain and strive for continuous improvement**

### *Productivity and benchmarking resources:*

- [agrifoodproductivity.ca](http://agrifoodproductivity.ca)
- [agribenchmark.org](http://agribenchmark.org)
- [omafra.gov.on.ca/english/busdev/production](http://omafra.gov.on.ca/english/busdev/production)
- [farmbusinessassessment.com](http://farmbusinessassessment.com)
- [ontariobeef.com/markets/profitability-calculator.aspx](http://ontariobeef.com/markets/profitability-calculator.aspx)





# ATTRACT AND KEEP THE **BEST EMPLOYEES**

BY BERNARD TOBIN

Good employees are hard to find and keeping them can be a tough task for many agriculture employers.

A typical retention strategy might include offering a series of perks and benefits – everything from profit sharing to bonuses, vacation and housing incentives – but that's often not enough to keep top talent, says Winnipeg-based HR consultant Michelle Painchaud, president of Painchaud Performance Group.


“Believe it or not, those items you listed are recruiting incentives and not necessarily for retention,” Painchaud says. Pay and incentives are important, “but employees continue to tell us that they want a great place to work where the culture is positive, leadership is strong, and communication is open and consistent.”

For Painchaud, workplace culture is key to employee retention; it's the DNA of an organization, it drives employee attitudes and behaviours. “A strong culture can really enhance overall employee performance and retention. People don't want to leave a workplace in which they feel successful, valued and appreciated,” she says.

## **Putting people first**

Across the agricultural landscape, employers are challenged to hang on to employees, especially top performers.





That's certainly the case for Truly Green Farms, an innovative 70-acre tomato greenhouse operation in Chatham, Ont., that employs 215 people at peak season.

Joe Barkhouse, Truly Green's human performance developer, explains how two years ago the company decided to face the challenge of retaining employees head-on. With fast growth and rapid employee turnover, due in part to exploding labour demand from the burgeoning cannabis industry, Truly Green decided they had to take a people-first approach.

Barkhouse understands that competitive financial rewards is a must, but, like Painchaud, he feels employees are looking for more. This includes a happy workplace, where both employer and employees stay connected and each benefit from the culture.

### **The role of leaders**

Peter Mayne, director of culture, learning and employee experience at Farm Credit Canada, defines a work culture as a "set of deeply held assumptions, beliefs and values that really define who we are, how we work together, how we do things and how we treat people."

He believes employers who have a compelling set of values, including honesty, integrity and trust, really do have an advantage when it comes to retaining talent. He acknowledges the money is

important – job seekers are also price shoppers, and salary is an acknowledgement of performance and value, but it can't buy you long-term loyalty.

From Mayne's perspective, the success of an organization's culture rests heavily on its leaders. Culture and values have to be more than a plaque on a wall, he says. Whether it's honesty, integrity or trust, leaders must define these for employees, live them and show what they look like on a daily basis.

### **Family values**

Truly Green's roots are in family farming and the company is committed to creating a family atmosphere while maintaining a dynamic business structure that builds employee unity.

"We've realized we're in the business of growing people, and tomatoes are a side product," Barkhouse says. "If we aren't going to grow the people, we aren't going to get tomatoes." He admits it took some time to understand the importance of human resource management. "A positive, productive culture really does deliver a tremendous payback."

### **Respecting relationship**

A number of programs at Truly Green enhance culture and promote their core values. "A Day in the Life" lets managers

spend time in other departments to better understand and respect different areas of the greenhouse.

It also promotes transparency and a shared vision for the entire company, Barkhouse notes.

"It's important to be open and honest and that's much more than an annual review," he says. "Feedback and direction are a part of our daily process. If there's a problem we work through it."

Truly Green strives to ensure employees understand they are key to its success. That's where "Knock it out of the Park" comes in. It's a baseball-themed employee program that follows the Toronto Blue Jays through their season and offers barbecues and ballpark hot dogs. "It's really about aligning all employees and to think like one farm family team with the same goals – to win and succeed," Barkhouse explains.

"Our goal is not to be the most profitable organization, our goal is to treat our employees the best," Barkhouse says. He believes that workplace satisfaction accounts for 70 per cent of an overall retention plan. "Managers and employees [are taking] ownership and really want to produce the best products and want the best for the company," he adds. "That will help us retain good employees." ■

## SETTING YOURSELF UP FOR **SUCCESS**

Everything good happens outside your comfort zone, says change agent Michelle Cederberg.

**Four cornerstones** that will help you achieve your goals:



### **Direction**

knowing what's important to you and what you want to accomplish



### **Discipline**

making your goals happen with drive and work



### **Mindset**

believing that you're capable and change is possible



### **Energy**

boosting your physical, mental and emotional health

Source: Michelle Cederberg, Health & Productivity Expert



Courage  
is what lies in that  
space between  
ideas and results.

- TONI NEWMAN



Train people well  
enough to leave;  
treat them well  
enough that they  
don't want to.

- DR. JODY CARRINGTON

## DO YOU EMPLOY **SEASONAL FARM STAFF**?

Consider these tips to help you simplify hiring and become an employer of choice:

- ☒ Start looking early
- ☒ Provide job-specific training
- ☒ Treat seasonal workers as you do your permanent employees
- ☒ Use exit interviews to get feedback about what worked and what didn't

Source: Indeed.com

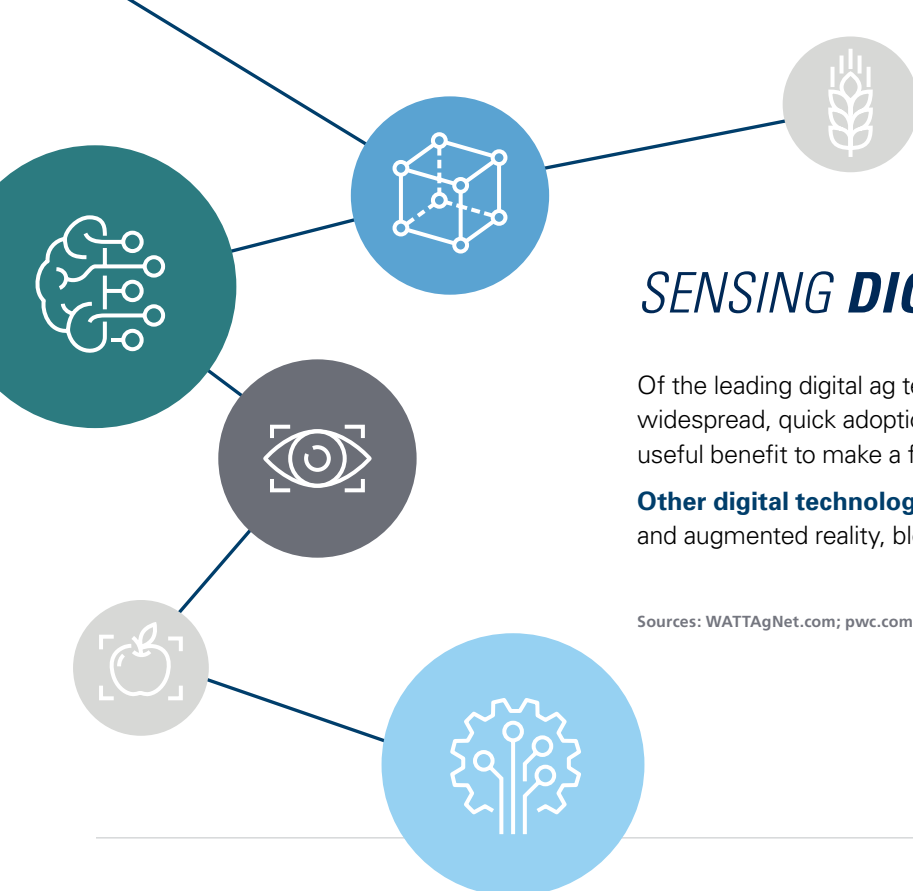


## **The ag labour crunch**

Canada's agricultural labour shortage is expected to grow to **123,000 positions by 2030**.

Source: RBC Farmer 4.0 Study





## SENSING **DIGITAL DISRUPTION**

Of the leading digital ag tech tools, **sensors** are most likely to see widespread, quick adoption by farmers. Why? Low cost and immediate, useful benefit to make a farm business more precise and efficient.

**Other digital technology for ag:** robots, artificial intelligence, virtual and augmented reality, blockchain, drones and 3-D printing.

Sources: WATTAgnNet.com; pwc.com

## PRINT YOUR OWN **FOOD?**

3-D printers could change the food manufacturing game by meeting growing consumer demand for personalized, customized food. The global 3-D food printing market is expected to reach **US\$400 million by 2024**.

Source: marketwatch.com



## FUNGI **FACTS**

*Did you know?*



Over **100 Canadian** mushroom farms grow more than **200 million pounds** of mushrooms a year

**Half** of all Canadian mushrooms are **produced in Ontario**

Canada's most **popular** mushrooms are the **white button, brown** and **Portabella**

Source: mushrooms.ca/production

# ***New business structure optimizes capital gains exemption***

THE FOLLOWING FICTIONAL CASE STUDY WAS CREATED BY MNP





When Jeremy and his wife June inherited the family farm, everyone told them to keep their day jobs. Jeremy's parents had made a living from the grain and beef operation but by today's standards, it was a small operation.

Initially, they did keep their full-time jobs and farmed on the side. It took five years before they were able to rent more land and start a very successful farm gate business selling grass fed beef.

People came to buy beef and soon Jeremy started growing produce that also sold well. Not only were they able to leave their jobs and farm full time, they were generating increasing revenues and spending more time trying to manage tax exposure. Pre-paying for seed, feed and fertilizer before year-end helped, but they needed to decide if it was time to change the structure of the business.

They had started with a sole proprietorship, which kept things simple. Then, with annual taxable income exceeding \$150,000 in each of the past three years and an expectation for revenues to continue to grow, they felt it was time to consider a business structure with a lower tax rate. They set up a meeting with their accountant to discuss their options.

Both Jeremy and June assumed that incorporating the business to access lower tax rates was the obvious next step. But their accountant started the meeting by saying there were a lot of things to consider. She felt that a partnership was a better option for the near future, and she would explain why as they considered all the factors.

### Capital gains exemption

They started by taking a look at the farm's capital gains exemption (CGE). Jeremy was an only child and he had

inherited the farm when his father passed away. His mother had died a number of years previously. When Dad died, the estate maximized his capital gains exemption by bumping the cost base of the farmland up to the lesser of fair market value and his CGE. In this case, fair market value for the land far exceeded Dad's capital gains exemption. The farm was paid for, but they had updated and upgraded the equipment and built a store on the home farm to facilitate growing beef and produce sales. They were carrying about \$500,000 in debt.

Their accountant confirmed that Jeremy and June each had access to \$1 million of capital gains exemption. Her preference was to leave paid-for land outside a partnership or company structure. If they purchased new land and carried significant debt it may be advantageous to hold that land within a company. As they moved forward with changes to the business structure, they would need to be mindful of assets that qualify for the capital gains exemption. This includes farmland owned personally by Jeremy or June, shares in a qualifying farming corporation, any interest in a qualifying farm partnership, or quota.

### Succession

Jeremy and June were both in their early 40s and had two children, aged 12 and eight. It was too early to tell if the kids were interested in the farm business, but the objective was to have that option in play. The accountant advised that even if they formed a partnership for the near term, ultimately, if the business continued to grow, it would be incorporated. She felt that an incorporated entity was not an obstacle to a transition plan for one or both of the children in the coming years.

### Tax and accounting management

June did all the bookkeeping for the farm and was a bit nervous about adding complexity by incorporating or forming a partnership.

Under a partnership structure the bookkeeping would not change dramatically but there would be some additional costs for accounting and legal bills. These costs would be offset by tax savings and the business would be easier to manage as there would be less need for income deferrals and pre-paying for crop inputs to lower taxable income every year.

### Wrap up

The accountant suggested that after a minimum two years under a partnership structure, they could consider rolling their partnership interest into a company and make use of their capital gains exemption. By moving to a partnership for a few years before incorporating, they can capture the CGE exemption on things like inventory that wouldn't otherwise qualify. This strategy also generates a tax-paid shareholder loan when they incorporate, which could be used as part of their future personal tax planning.

Based on their current situation and near and long-term goals, Jeremy and June agreed with their accountant that the best option for them was to form a partnership and include their equipment, buildings and inventory but leave their land held personally. They were glad they took the time to work through the decision with their accountant. ■

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

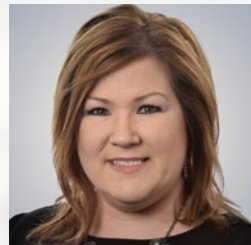
[MNP.ca](http://MNP.ca)

# HIRING WELL

BY LORRAINE STEVENSON-HALL

*Many farms employ year-round, part-time or seasonal workers. We asked three human resources experts:*

- *How do I hire the right person for the job?*
- *What do I need to include in an employee contract?*
- *How do I ensure expectations for the job are clear?*



**Dana Gidge**

Human Resources Consultant,  
RLB Chartered Professional  
Accountants, Guelph, Ontario

To hire the right person, start with a realistic job description. Evaluate your current and future needs. What skills and abilities are needed in the job right now, and what long-term soft skills are required? You can tailor your job posting, describe your farm or business in a favourable light and be truthful about what your culture is like.

Post in the places that provide the best exposure. You may want to pay for some postings on industry sites such as AgriStaffing or AgCareers, but free sites can also be fruitful, including the Canadian Job Bank.

Do pre-screens and interviews. Use the same interview guide, ask skills and behaviour-type questions and watch out for questions in areas that might be protected under human rights legislation.

Have employees sign and date any contract BEFORE they start work in order for it to be legally binding.

Expectations can vary. The first step in letting employees know what's expected of them is a clearly written job description. Provide written vision, mission and strategy statements that a new employee can review to determine how they fit in.

If necessary, create key performance indicators for the role and discuss these with the team member. Consider creating a checklist to ensure duties and responsibilities are clear and work is performed consistently.

Have regular conversations so concerns can be addressed constructively. Team members can't fix what they don't know is broken.





### Chris Hall

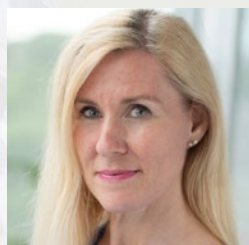
CHRP, Human Resources  
Partner, YMCAs of Cambridge  
& Kitchener Waterloo

Most poor hires are the result of a lack of some type of soft skills or “how” an employee goes about doing work – attitudes and behaviours. Think about the behaviours that are critical for success in the role and link your interview questions to those behaviours. For example, if you are hiring for a position that requires attention to detail, ask candidates how they have exhibited this in the past. I think author Jim Collins said it best when he said, “People are not your most important asset – the right people are.”

In the contract, include the title of the position and whether the position is full time, part time or contract. The annual salary or hourly rate should also be stated. Include start date, vacation day entitlements, sick days and other benefits.

If there’s a probationary period, reference that as well. A termination clause is a best practice and can help limit the employer’s obligation if there’s a parting of ways. It’s a good idea to have legal counsel review the wording of your templates from time to time to ensure they comply with legislation.

Making a job description available is a good first step in making the expectations of the role clear. Having regular check-in conversations can also go a long way to clarifying expectations and ensuring work is tracking in the right direction. These conversations don’t need to be very long if they happen regularly. In her book *Dare to Lead*, author Brené Brown says “to be clear is to be kind.” It may take courage to have the conversation, but at least that person will know where they stand and what is required to succeed.



### Portia MacDonald-Dewhirst

Executive Director, Canadian  
Agriculture Human Resources  
Council (CAHRC)

The most important thing in hiring the right people is to be organized and detailed around recruitment and selection. This means careful thought about the competencies and skills you’re looking for. Think about all the elements of the position and document these clearly. This makes it easier to spot the right person once you have job applicants in front of you.

A clear and detailed job description with tasks and sub-tasks is foundational and will help you develop the right interview questions. Since past behaviours are a good predictor of future behaviours, ask interview questions like “Tell me about a time when you...” You’ll glean important insight and learn how that person might react in a similar situation.

Putting time into documenting job requirements up front does pay off in the long run. CAHRC has worked with farmers across Canada to develop job descriptions for over 70 positions that can be used as a starting place for your hiring activities.

If you’re looking for a contract template, our AgriHR Toolkit (<https://hrtoolkit.cahrc-ccrha.ca/>) includes a draft you can customize. A contract should specify the job title, salary range, starting date, supervisor and role, hours of work, benefits, and probationary period. Make your offer letter clear about the job the person is expected to do and attach the job description. Throughout the process, reiterate expectations to help ensure your new recruit clearly understands them.

Being organized and showing clarity about what you want is the best way to share expectations with employees. The job description will help set clear expectations, is useful from a training perspective and provides a baseline for performance management. Always manage performance around clear and robust information about what you want the person to do. ■

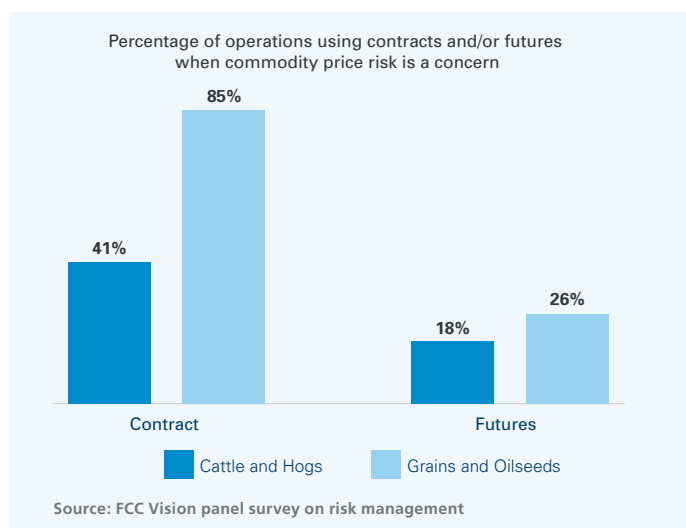
# THREE WAYS AG PRODUCERS ARE MANAGING RISK

Risk is an inevitable part of farming. In 2019, an FCC Vision panel survey looked at the risk concerns and management strategies of over 1,300 producers across Canada. Five major types of risk were studied: production, marketing, financial, legal and human resources.

Farm operators were most concerned about marketing, production and financial risk. About half the producers are mitigating their risk concerns by developing relevant strategies. Here are three notable takeaways about their risk management strategies.

## 1. Commodity marketing contracts more popular than futures

Fifty-eight per cent of respondents identified contracts as their main strategy to mitigate commodity price risk – their most significant concern related to marketing. Fifteen per cent reported using futures in the cattle, hog, and grains and oilseeds sectors. And responses vary by sector: cattle and hog operations seem less likely to rely on futures and contracts than grains and oilseeds producers.



## 2. Transition a major concern, but few farms have a plan

Transitioning the farm operation was identified as a major concern for 44 per cent of survey respondents. And while Statistics Canada's 2016 Census of Agriculture shows only eight per cent of farm operators had a formal transition plan, half the FCC Vision survey respondents who identified transition planning as a concern said they have a plan in place.

## 3. Off-farm income is important to financial health

Working capital is the first line of defence against challenging financial conditions or changes in the operating environment. But nearly 65 per cent of the respondents identified insufficient working capital as a concern for their operation.

Of this group, approximately 45 per cent relied on off-farm income as a mitigation strategy. Off-farm income is more frequent in the cattle sector (65 per cent) than in any other specific sector.

Farm size also seems to affect the decision to rely on off-farm income. Although there are few differences on risk perceptions related to working capital – 67 per cent for farms with sales between \$50,000 and \$1 million versus 63 per cent for larger farms – smaller farms are far more likely to use off-farm income to mitigate financial risk.

## Finding the right strategy is vital

There are multiple types of risk in agriculture and any management strategy can address more than one, so it's imperative your plan accounts for the intersections across types of risks. Farm Management Canada offers AgriShield – a risk assessment and planning platform that can help identify, assess and prioritize your farm risk and access resources and tools to help you manage it. ■

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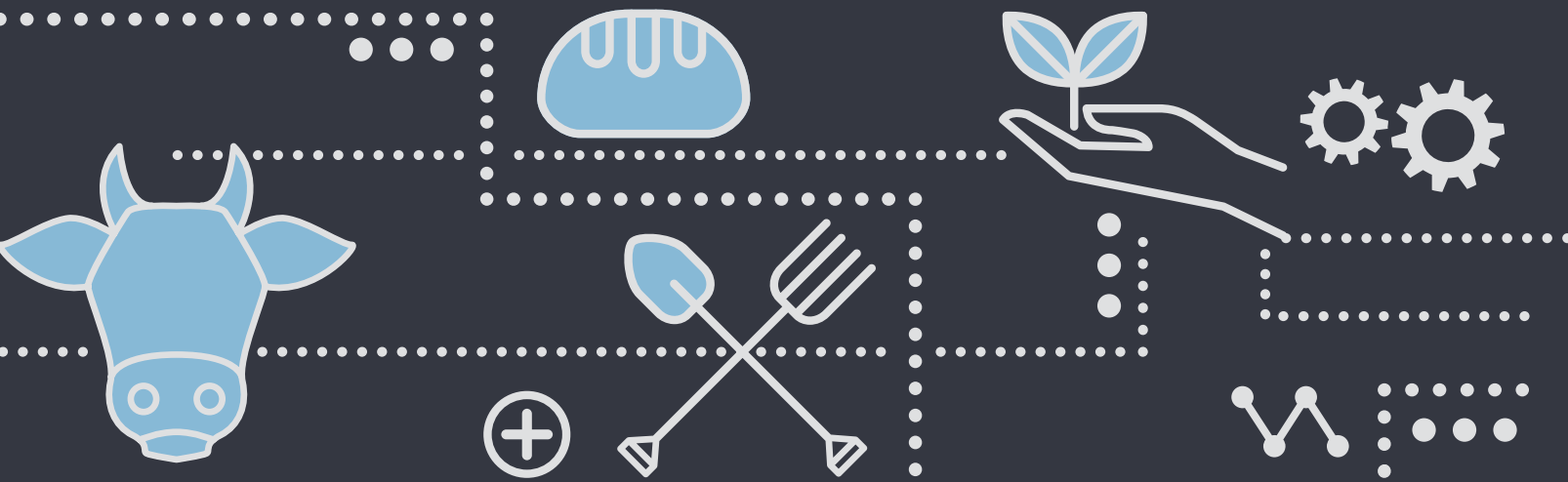


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# Focus your tech adoption *for optimal benefit* .....

BY PETER GREDIG

A successful technology strategy has nothing to do with how many innovations you are using on your farm. You can have a very successful approach to technology without using many or any new products or processes. To me, true tech success involves the following steps:

1. Knowing and understanding what's available, both in ag and elsewhere
2. Spotting emerging technologies or innovations that may solve specific problems on your farm
3. Running a realistic cost-benefit and payback analysis
4. Conducting small-scale trials when possible
5. Implementing the winners and monitoring closely

If a farmer says to me, "I've done the research and crunched the numbers and it's just not a fit for us," it speaks to a successful tech strategy. If someone says they have no use for a specific technology based on a negative attitude and assumptions, I think that's a failing strategy. It's equally flawed to get caught up in the hype surrounding something new and jumping in, hoping for the best.

It's easy to rattle off a five-step plan for tech success, but the reality is that we are all at risk of being overwhelmed by innovation and change. Before we even start on Step 1, we have to

resist the urge to check out and simply stay with what we are currently doing. Hindsight is revealing. How many of us remember stating boldly, "I will never need a smartphone, or auto-steer or robotic milker or use social media or apps..." Staying open-minded is a big part of tech success.

## Step 1: Know and understand

Knowing and understanding what's available is a big one and it requires a commitment to paying attention, being curious and investing some time. I think we should all be paying attention to artificial intelligence and what it means for robotics and autonomous machinery. Understanding how algorithms are improving rapidly to pull more value from data is another big game changer. But the truth is that we can bite-size this step and get started by focusing in on what's realistic and relevant for our operations.

If energy efficiency in your greenhouse is your biggest challenge, start there. If it's finding labour for your apple orchard, start investigating robotics. If it's communication within your staff, explore project management apps like Slack that make it easy to keep everyone on the same page. You'll find that as you start monitoring one technology your interests will broaden to include a wider range of topics. #winning!





### Steps 2 and 3: Spot new tech, run the numbers

These steps tend to happen in concert. I know that GPS enabled auto-shut-off technology for planter units and sprayer boom sections offers at least three per cent in seed and crop protection product savings. I've spotted the tech that can solve the problem of overlapped planting and wasted spray, especially in my odd-shaped fields. It works. Now I need to crunch the numbers to determine what the payback period is based on the acres I cover. Sometimes new tech is expensive, but it gets cheaper over time as it becomes more mainstream. What may not pencil out today may be a no-brainer in two years.

### Step 4: Small scale trials

This step encourages small trials or learning with others before making a major commitment to something new. It's not always possible, but becoming comfortable with a new technology by doing trials or learning along with others can lower the cost and speed up the process. Some companies like to work with innovators willing to try bleeding-edge tech. Farm organizations often support research too. Olds College in Alberta has initiated the Smart Farm program. They insert new technologies into a working 2,000-acre farm so that students and farmers can get an indication of how things like soil monitors, digital weather stations, and fully Wi-Fi-enabled smart devices perform in the real world. The point is maybe you don't have to go it alone.

### Step 5: Implement and monitor

Once you do the research, crunch the numbers, and run some on-farm trials, it's on to Step 5: Inserting the innovation into the operation and monitoring how it works. There is a tendency to stop evaluating just how strong or weak the new equipment, software or process is performing once we write the cheque to buy it. We're committed, so why would we want to know if it's not measuring up to expectations?

We can generate data like never before so there is no excuse for forging ahead blindly. No one wants to have to walk away from a new technology they've committed to. But even if you do all the research, analysis and testing, sometimes it's just not a winner and backing away is the right decision for the farm.

It's not overstating to say that attitude and commitment are key to Step 5. You can work through the first four steps and feel like you've identified an innovation that could make a difference on your farm, but if your partners or staff are not on board, it's difficult to garner the benefits. Change is disruptive and there will be times when everyone wishes they'd never started implementing the new gear. Working through those issues to give the new tech the best opportunity to live up to expectations is part of the process.

Don't be overwhelmed. Focus and bite-size your technology strategy to address your challenges. Take it one step at a time. ■

# GETTING FARMERS BACK ON TRACK

The last days of harvest often represent the entirety of a grain farmer's profits for the year. But in 2019, harvest ended with a blanket of snow on fields in many parts of the Prairies, making it almost impossible to finish. This after weeks of persistent rain, intermittent sun and sprouting crops with the consequent reductions in quality.

And it wasn't just the Prairie harvest. Excessive moisture had delayed planting in many parts of Quebec and Ontario. Atlantic Canada saw damaging winds and heavy rainfall from Hurricane Dorian in the fall. Manitoba potato growers experienced back-to-back years of having to leave a significant percentage of their crop unharvested.

Canadian farmers are experiencing yet another challenging year, and FCC is working with customers to find solutions.

## Take that first step

What can you do? Start with a call to your local FCC office.

Often, all that's needed is a temporary adjustment to a loan schedule, or deferral of principal payments. These kinds of allowances can help mitigate the impact of your short-term financial pressures.

Or you can contact our Customer Service Centre, where ag lending analysts are available to talk with you about your options.

## It's not just about finances

Many of us know first-hand that the pressures of farming can sometimes cause feelings of isolation. If you're one of those producers who are struggling and you're not sure where to turn

for help, don't despair. There are many people and organizations waiting to hear from you.

Like Crisis Services Canada, a national organization you can reach by phone or online – see their contact information below.

Our partner, the Do More Agriculture Foundation, has a list of phone numbers and other resources ready on their website. They've been holding Mental Health First Aid training workshops, an offering that has greatly increased the number of responders available in rural areas.

Speak with a pastor, a friend, a family member – even the fuel delivery driver. Everyone you meet can be a lifeline in times of need.

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## CONTACT FCC

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