

JUNE 2020

# AgriSuccess

***YOUNG COUPLE  
TRANSITIONS  
TO DREAM FARM  
THANKS TO  
RETIRING NEIGHBOURS***



*ffcc*



## Letter from the CEO

I want to begin with a message of thanks. Thank you for the hard work you do to produce food for Canadian tables and for export markets around the world. Thanks to all of you, whether you're FCC customers, industry partners or contributors to the Canadian agriculture and food sector.

The COVID-19 pandemic has affected us all, and even as we print this edition of AgriSuccess, we don't know when things will return to normal or even what that new normal might look like. We're looking forward to the staged reopening of our FCC offices to meet your needs, but for the time being, I encourage you to contact us by phone or email.

**Our team is here to support you. Please don't hesitate to reach out.**

Our commitment remains to help you dream, grow and thrive – during and after this difficult time. As you're likely aware, the Government of Canada has strengthened FCC's balance sheet with an enhancement to our capital base that will ensure we can offer producers, agribusinesses and food processors access to the capital they need. This includes offering loan payment deferrals and credit products to assist with your cash flow needs. More importantly, we stand ready to understand your personal circumstances and work with you to create a solution tailored to your operation.

These are uncertain times for everyone. If you're feeling stressed or if the COVID-19 situation is affecting your mental health, you're certainly not alone. We have a number of resources available to you at [FCC.ca/Wellness](https://fcc.ca/Wellness), including a digital version of our *Rooted in Strength* publication, a personal assessment tool and an up-to-date list of crisis helplines across the country.

**We're in this together.** Wishing you the best this 2020 growing season for your operation, your family and your personal health.

Sincerely,

Michael Hoffort  
President and Chief Executive Officer  
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

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# WHY FARMERS RELY ON CASH FLOW PROJECTIONS

BY LORNE McCLINTON

Agriculture is a numbers game. Farmers need to determine a fair land rental price or if their operating line of credit will get them through tight times. While uncertainty around factors such as the weather makes it nearly impossible to know exact revenue and expense numbers, it is possible to get accurate estimates using cash flow projections.

Cash flow projections, or cash flow budgets, are estimates of cash receipts and expenses expected to occur during a certain time period, says Kevin Hursh, a Saskatoon-based agrologist and commentator. Operators use their best guess to determine expected yield and prices to come up with income figures and use their expected costs to calculate expenses.

Scott Thom doesn't take chances. He creates in-depth projections that include all expected income and expenses for his feeder hog and cash crop operations near Denfield, Ont. He uses conservative yield and price estimates for both because he prefers to be pleasantly surprised by having more income than planned.

"Crop expenses are fairly straightforward," Thom says. "I break them out the same way my accounting books do. I use crop insurance figures for minimum yield and price. Livestock is more difficult because accounting programs like to lump too many expenses together, and the hog price changes every day."

He generally uses the Ontario Ministry of Agriculture, Food and Rural Affairs' (OMAFRA) cost of production numbers for both income and expenses as a starting point. If there's a big discrepancy between his numbers and OMAFRA's, he'll generally defer to theirs unless he can identify exactly why he should use his own.

"Once I have this worked out and have an idea about what I plan to grow and how many pigs I plan to produce, I can pretty easily determine how I'm going to make out," Thom says. "Then, if more land or another barn comes up for rent, I can plug in the numbers and see if I would make more money or if I'm just making more work for myself."

A big advantage to cash flow projections is they highlight when cash flow could be tight, Hursh says. Since you can spot these well in advance, you can create a marketing plan and have funds on hand when you need them, eliminating last-minute sales.

"You have to be realistic with your numbers," Thom emphasizes. "Keep in mind that the yield isn't really the yield until it's harvested, and the price isn't the price until it's sold. It's better to err on the conservative side. No one ever complains when they exceed projections." ■

## BENEFITS OF CASH FLOW PLANNING AND ANALYSIS

- Know when cash flow will be tight so you can plan for the shortfall
- Identify the best loan term and repayment schedule
- Make marketing decisions that are not under cash shortfall constraints
- Analyze impact if interest rates rise or commodity prices drop (sensitivity analysis)
- Help you decide to lease or buy a major piece of equipment

Source: [fcc.ca/Knowledge](http://fcc.ca/Knowledge)

## WE HAVE A TEMPLATE TO GET YOU STARTED

Download **FCC's Cash Flow Planning Guide** to learn how managing cash flow:

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# ***YOUNG COUPLE TRANSITIONS TO DREAM FARM***

*thanks to retiring neighbours*

BY BERNARD TOBIN





Todd and Jennifer Payne bought their first 50 sheep from John and Eadie Steele's breeding stock farm, Shepherd's Choice, in 2015. At the time, they never dreamed that one day they would own the operation, one of the industry's leading genetics farms.

But that's just what happened. Within five years, the Steeles had shared their objectives with the Paynes and seized an opportunity to construct a non-traditional succession agreement — one that met the "next stage" goals of the Steeles and the farming aspirations of the Payne family.

### A history of Shepherd's Choice

Shepherd's Choice started in the late 1990s on land cleared by Eadie's family in Norwood, Ont. Committed to genetic analysis, record keeping, industry benchmarks and cost of production, the Steeles built the herd genetics and are widely respected for their quality breeding stock, including purebred registered Texel sheep.

The Steeles attribute much of their success to their focus on profitability and drive to improve. They're both graduates of the Canadian Total Excellence in Agricultural Management (CTEAM) program and were named Ontario's Outstanding Young Farmers in 2002.

They believed a prosperous business would contribute to their farm succession plan. They wanted to make the farm attractive to their two children by establishing a thriving business that could make the farm a compelling option.

### Building for succession

The Steeles also had goals beyond being successful sheep farmers. They'd been told they had enough money, says Eadie, that they could sell the flock and not have to work so hard. It appeared their children didn't plan to return to the farm; both were carving out careers in other industries. So, the Steeles started looking at more creative farm succession options. They were not even 60 yet and ready for something different.

"Our legacy is the family, not the farm," Eadie says. "The farm is a piece of land and buildings. It certainly has benefited our children because it's given us the income to put them through university, to do the things they want to do and set them up in their future lives."

### From cash crops to sheep flocks

Todd Payne grew up on a small cow-calf farm in Norwood, just a few kilometres from the Steele farm. He'd always wanted to farm, but a career as a tool and die maker looked like a good option considering the size and earning power of his family farm. He and Jennifer were determined to focus on their immediate careers while looking for the right opportunity to transition to farming.

They purchased the Payne family farm in 2010 from Todd's parents and spent five years cash cropping the 60-acre operation while scouting for the right opportunity to expand. That's when they began to take note of the Steeles, by then customers of Todd's custom machinist business. "They had a busy operation," Todd says. "You could see the equipment, the activity — it was busy, and that doesn't happen unless it's a profitable operation."

Payne confesses that he had no burning desire to be a sheep farmer, but he could see the Steeles' business acumen had helped them build a strong and prosperous farm operation. "My desire at the time was to find an avenue to expand our business, to be predictable and be profitable," he says.

Impressed with the Steeles' success, the Paynes decided to try it too. In 2015, Todd retrofitted their old dairy barn, and he and Jennifer bought 50 sheep and a ram from Shepherd's Choice. They were eager to learn, and the Steeles were happy to help. "They had no particular experience in sheep, but they were doing a very good job. We were honest and willing to share," John recalls.



## Complex arrangements made simple

After working with and mentoring the Paynes for three years, John told Todd he and Eadie had decided to act on their succession plan. The news immediately ignited a spark for the young farmers. They were now fully committed to the sheep industry: Todd had been accepted into the Master Shepherd's Course offered by Ontario Sheep Farmers. It seemed time for them to think about expansion — their converted dairy barn was now full to capacity, housing 130 sheep. The Paynes had just entered their 40s, and with three young children were ready to make a move.

Todd and Jennifer expressed interest in the Steeles' sheep, and the two couples met to see if they could find common ground. A two-hour discussion of what the purchase of the sheep and a facilities lease or rental agreement could look like suggested that the agreement might be too complex. That's when Todd and Jennifer made their pitch to purchase Shepherd's Choice.

## Lack of family ties eases transition

The fact there was no family relationship with the Steeles made it easier for the Paynes to present an offer. "It was a business decision. We were willing to pay for the assets," Todd says. He notes making that kind of decision is easier when you don't have to put a value on sweat equity family members have invested in the farm. "It was a fact-based decision, and there really is no emotional baggage because it's just not there."

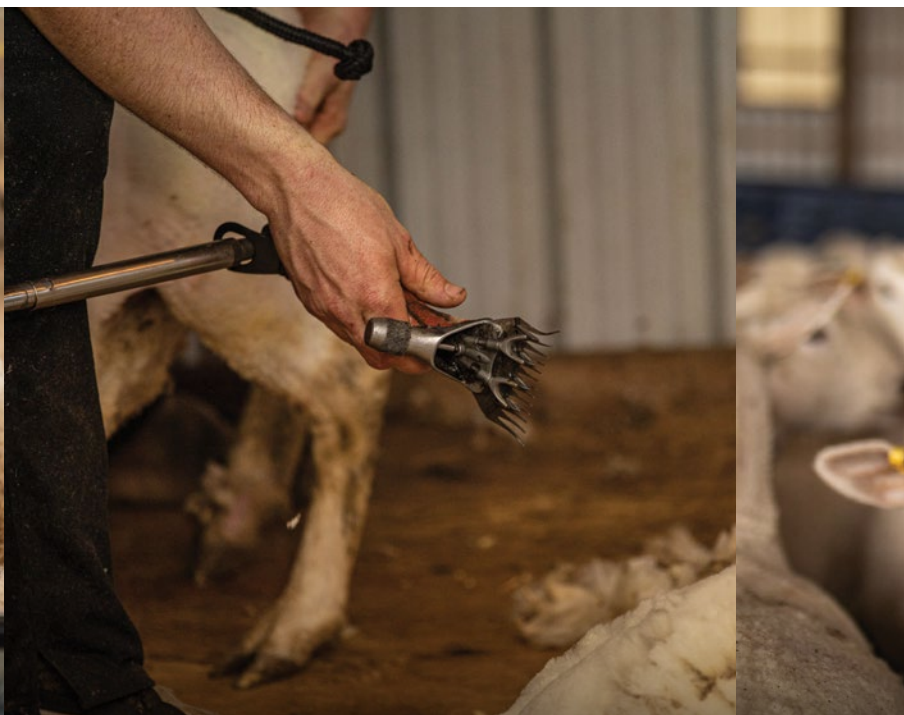
The deal included the 200-acre home farm with house, buildings, select equipment and more than 750 ewes and rams — they are now managing and operating the Shepherd's Choice genetics operation under the name Asphodel Sheep Company. The Steeles are building a new home on another small farm they own a few miles down the road.

Looking back, the Steeles note that while they weren't actively seeking transition, they were ready for it. They firmly believe their transition opportunity and choice is a direct product of the success they have enjoyed. "It's pretty simple; you have to be profitable to have options," John says. "Then, others can recognize the opportunity your farm presents."

## Best plans make use of personal skills and experiences

To be successful with farm succession, John stresses that as farmers, you need to "push the limits and surround yourself with innovative people." They believe their long-time association with Outstanding Young Farmers organization helped them learn from other farm businesses and managers. "We've seen other instances of non-family transitions. We knew it was possible, and we just had to sit down and understand how we could make it work," he says.

A young family without significant farming assets, the Paynes had to find their own path. "If you are creative and focused on your plan, you don't need a Class B combine or a million dollars





of quota,” Todd says. “There are other ways to get into agriculture without being on a massive scale right from the start.”

The Paynes put themselves in a position to take advantage of the opportunity by working as a team with a common vision. To own a farm, they had to work off the farm. Jennifer’s role was critical. “She’s been a key reason we’ve been able to grow the farm business as aggressively as we have,” Todd says. “As a teacher, her income and benefits have serviced the needs of the family. The farm has never had to do anything but service the needs of the farm, and that’s been a key to our quick growth.”

Todd’s skills and experience have also played a critical role in executing their plan. He’s mechanical. He has worked as a machinist and welder. He assembled a complete fleet of farm equipment — nothing new, he says, but all in good working condition. He’s built a strong customer base for both field and mechanical work that will continue to be a source of revenue and an asset for the farm.

“If your end goal is to get into farming and run an ag business, get out there in the workforce and look for those opportunities to learn, whether it be a hands-on skill or financial knowledge,” Todd stresses. “Those are tools you can put in your toolbox to make your business stronger.”

From the first 50 sheep to the final transition, it all led to a successful non-traditional succession arrangement that has two farm families looking forward to the future. ■

*“It’s pretty simple; you have to be profitable to have options.”*





# Bright minds from the University of Saskatchewan's college of agriculture and bioresources

BY OWEN ROBERTS



## Amy Carruthers

**Hometown:** Paradise Hill, Saskatchewan

**Program:** Agribusiness

### Why did you choose this path?

Growing up, I was often either helping feed cows on my family farm or working with my 4-H animals, but I didn't always know I wanted to pursue a career in agriculture. After buying a flock of sheep in middle school, I began to

understand the importance of agriculture, both locally and globally. I sold frozen lamb to consumers in major cities such as Edmonton and Calgary. Interacting with customers born outside Canada gave me insight into their experience with the industry while demonstrating how agriculture and food can bring people from different backgrounds together. Seeing the value my customers gained from knowing where and how their food was produced inspired me to study agribusiness.

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

I will have completed my master's degree in agriculture economics, where I hope to study new and existing production practices in the beef and forage sectors. I want to determine which practices are the most economically efficient and profitable for farmers in Western Canada. Later, I see myself engaging with consumers and health professionals about common practices in Canadian agriculture. I believe it's important for farmers and consumers to listen to and understand each other. I also hope to have my own farm with livestock such as sheep and cattle, selling these products directly to Canadians.

### What tips do you have for others?

I am fortunate to be enrolled in a university that invests in the development of young leaders, and I recommend taking part in as many opportunities as possible while in university. I've made wonderful connections with professionals in the industry through networking events and summer jobs. Also, if you have the chance to travel while in school or after school, do it! I took a semester at HAS University in the Netherlands and gained a completely new perspective of our international agriculture industry. This experience had a tremendous impact on my personal and professional life.



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- Has programs and research that are focused on plants and animals; food, feed and bioproducts; soil, environment and ecology; and agribusiness and applied economics





Amy Carruthers



David MacTaggart



### David MacTaggart

**Hometown:** Lacombe, Alberta

**Program:** Crop science

#### Why did you choose this path?

It was my drive to care for the environment and support others through food. My family has been farming in Alberta since 1912, which instilled in me a passion for caring for the land. These came from moments like my grandpa telling stories about the Dust Bowl,

where I learned we need to work with the land to be most productive. I've always appreciated the sense of purpose that exists when contributing to food production. Through beef and crop production, and teaching young people how to garden, I came to understand that I wanted a career in agriculture to make food production more sustainable and accessible to people in urban areas.

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

I want to be developing my career and community. After completing my master's degree, I intend to become involved in the transmitting of research findings to farmers via extension and, if possible, engaging in research. The demands of climate change and consumers are moving faster than ever, so I will devote my energy to assuring that farming practices can thrive in these changing times. In addition to my time with farmers, mentoring youth will also be key to my life. Through organizations such as 4-H, I will help young people strengthen transferable skills and see career opportunities in agriculture.

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

It's taken me nearly four years of university to figure this out, but my biggest piece of advice is to stay balanced. Stay up to date with your schoolwork, but also identify the key things that make you happy and incorporate these into every week. This allows your feelings of stress to settle out so you can commit your full energy to your goals. For me, hosting people for dinner, helping young people and the elderly, and being outdoors help me refocus during the busiest times.

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# **We can still be there for each other**

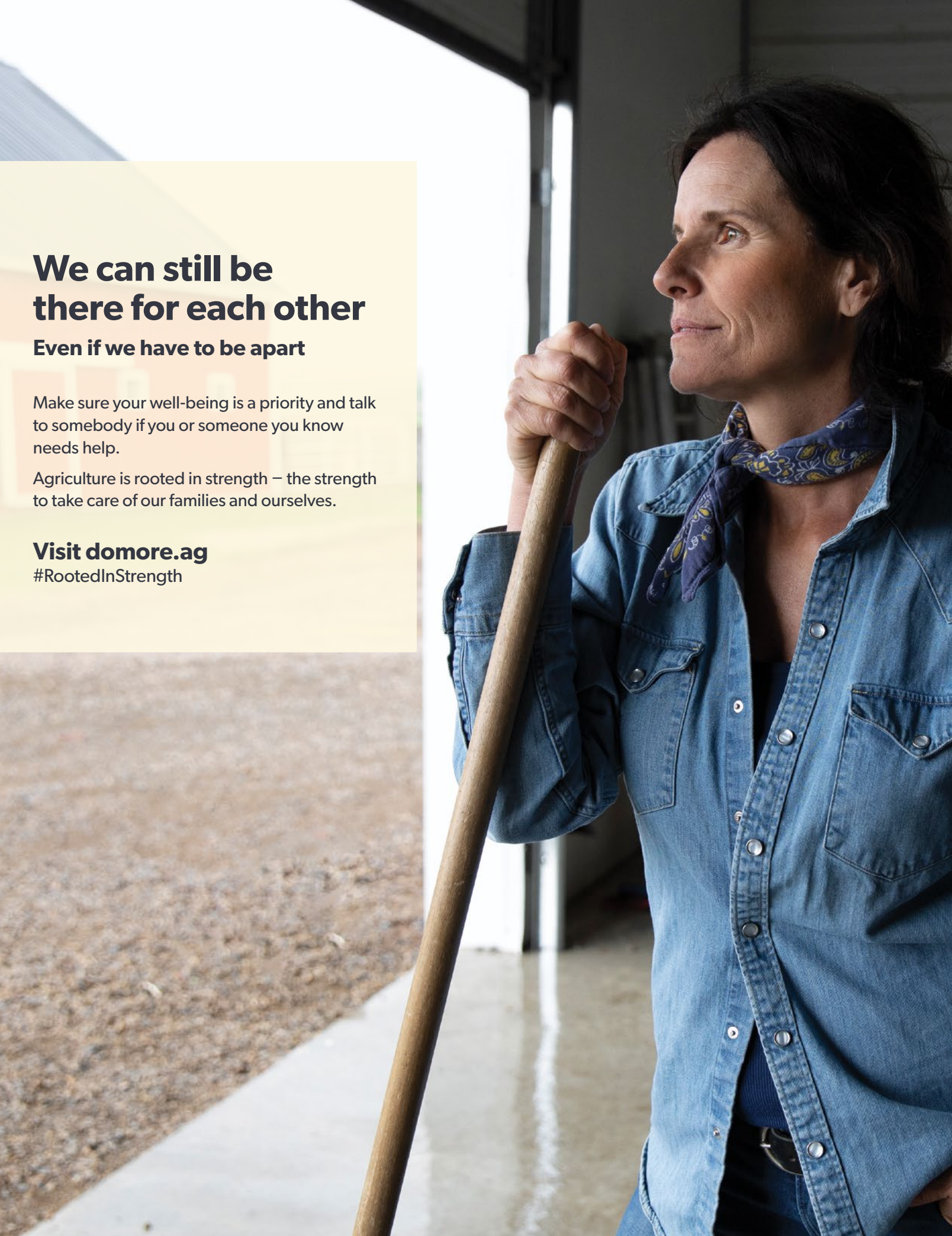
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# PRIVATE AG INSURANCE PAYMENTS NO LONGER OFFSET AGRISTABILITY

BY KEVIN HURSH

A change has been announced for 2020 that alters the relationship between AgriStability and private insurance programs. Payments from private programs will no longer offset AgriStability payments.

In July, federal, provincial and territorial agriculture ministers from across the country signaled this change was being explored to improve existing programs to address the needs of producers and complement private sector tools. This involved analyzing how AgriStability treats private insurance payments. One of the largest sources of private insurance payments to be affected will be crop hail.

“The change makes a great deal of sense,” says Bruce Lowe, CEO of Ag Direct Hail Insurance, an exclusively online crop hail insurance provider. “Producers insuring themselves for a revenue loss shouldn’t be penalized when it comes to their AgriStability support.”

That opinion is shared by Grant Kosior, president and CEO of Global Ag Risk Solutions, a company offering gross margin revenue insurance to grain farms in the Prairie provinces.

“As a direct result of this change, we’re offering an insurance option this year that tops up the coverage levels provided through AgriStability,” Kosior says. “Our programming can now work in conjunction with AgriStability, and this top-up option carries a much lower premium.”

The change also affects the Western Livestock Price Insurance Program (WLPIP) through which producers can lock in floor prices for hogs and cattle. WLPIP is government-run in British Columbia, Alberta, Saskatchewan and Manitoba. Still, premiums paid by participating producers cover the cost of insurance so that it will be treated like a privately run program.

This is different than the AgriInsurance (crop insurance) programs across the country. In those programs, governments share premium costs with producers, and for that reason, crop insurance payments will continue to count as income for purposes of AgriStability, thereby offsetting AgriStability payouts.

It should be noted that a producer who does not participate in crop insurance may have their AgriStability benefit reduced. This reduction occurs only in cases where the producer has a negative program year margin, but it’s a reason to remain in crop insurance and not assume AgriStability will cover all your production risk.

Making decisions about price and revenue insurance can be difficult. There’s no easy formula for determining the correct products and level of coverage for any farm. ■

## ASK YOURSELF...

- How will price or a production shortfall affect our bottom line?
- Can our operation sustain an income shortfall?
- What’s the cost of each potential insurance product, and what coverage do they provide?
- How do insurance programs complement each other to reduce risk?



# 3 TIPS

## FOR BRINGING NEW IDEAS TO THE FARM

BY MATT McINTOSH



Broaching potential change with family and business partners – for livestock, cover crop strategies and marketing plans – is not without its difficulties. Proactive communication strategies and putting ideas to paper can make a real difference.

### 1. Make meetings a priority

For Andrew Pate, a fruit and vegetable farmer from Brantford, Ont., weekly business meetings have been invaluable, helping his family members develop and implement their own business ideas.

Generally, Pate says, the bigger-picture, long-term plans are discussed in winter and early spring when more time is available to review how resources could be leveraged. The busier months focus on day-to-day operations.

“We also have a year-end review where we talk about what went well, what didn’t. And make adjustments,” Pate says.

These meetings are critical in bringing change to farm businesses, says Annessa Good, a Calgary-based transition specialist with FCC. They provide an opportunity to review things like overall finances – required information for a viable business plan.

“Finances might seem like a black-and-white subject, but family dynamics are always at play,” she says.

Discussing finances and other resources is an important part of the Pate family’s communication strategy. However, their focus on direct marketing and agritourism leaves perhaps more room for creativity in pursuing new opportunities. A general openness to new business ideas, as well as a willingness to discuss those ideas, help make that creativity pay off.





Kara, Erica, Dawn, Tom and Andrew Pate

## 2. Define roles and address expectations

Steady communication also helps provide operational clarity. Knowing how a business works day to day, Good says, allows for the definition of roles and responsibilities. The expectations of each party also become clearer.

“Unspoken expectations are the silent killers of family farms,” she says, adding it doesn’t hurt to develop formal job descriptions. “Job descriptions can help set out those expectations [of] who is in charge of what, and how they can progress in those responsibilities over time.”

## 3. Put ideas – and numbers – to paper

For Pate and his family, new ideas must fit their overall farm vision. They discuss considerations such as the number of staff required and how long the idea will take to plan and do. They perform a cost-benefit analysis before making their final decision.

Good says all new ideas should be well thought out and put in writing. Such detail could include advice from a lender, scenarios based on historical numbers, cash flow projections and a timeline for getting it done.

“The primary objective is to prevent a quick shutdown,” Good says. “If a lot of work goes into the proposal, then the expectation is that effort is matched from the answering generation.”

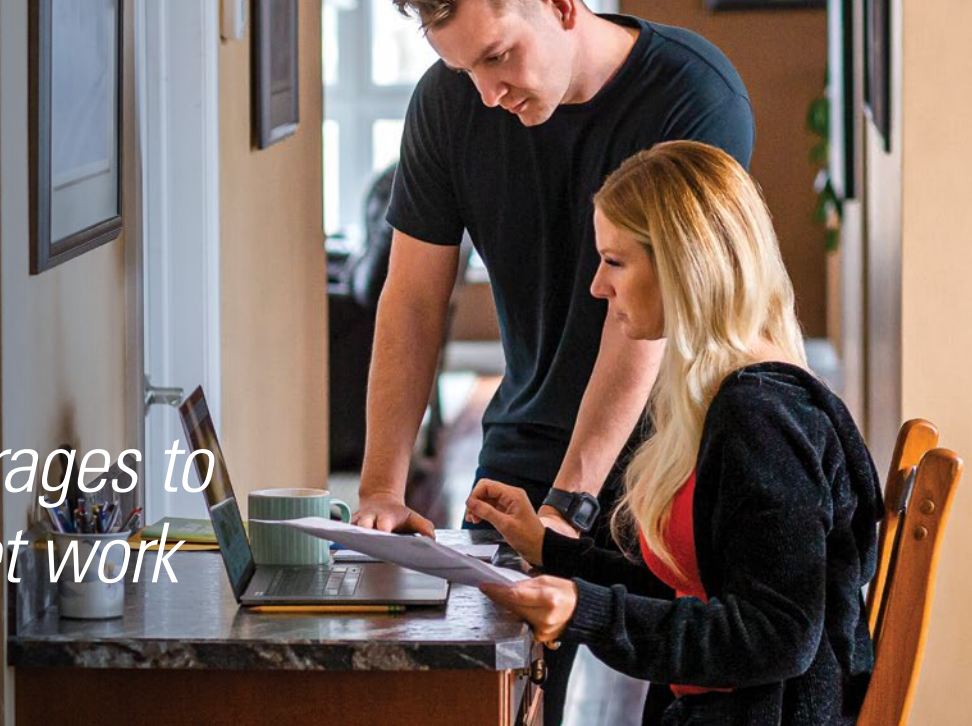
Good reiterates that any idea – regardless of which party proposes it – should include expectations of roles and goals so there is something to work toward. Other stakeholders then have a chance to make the details reflect their own expectations.

“Hopefully clear, honest conversation results in a thriving mutual agreement,” Good says. ■



# Look beyond averages to make your budget work

BY MATT McINTOSH



## Wonder how expenses get out of hand despite what appears to be good financial management?

According to Evan Shout, chief financial officer of a large Saskatchewan grain and oilseed farm and president and co-founder of Saskatoon-based business risk management and consulting firm Maverick Ag Ltd., effective spending management starts with looking beyond whole-farm averages.

Regular contact with financial advisors and peers – and being honest about financial stress – can also make a difference.

### Look at evidence, not hopes

In Shout's experience, conservatism is critical. Accounting for all expenses, including things like amortization (payments on capital purchases), is important. "People put down numbers they're shooting for," he says. He thinks it makes sense to use numbers achieved in the past.

Farms are a combination of two businesses – the farm itself and the real estate – but many farmers don't adequately separate the two, Shout says. This makes it easier to overlook costs and gives a false sense of achievement. "If they start pulling out a number for rent, the actual equity of the farm drops," he says. Separating farm costs from real estate costs will allow you to talk about actual values rather than perceived or inflated values.

### Hidden personal expenses

Many personal expenses can hide in the farm accounts. Sifting out utilities or vehicle costs gives a clearer indication of overall spending. Making this distinction is particularly important when moving off-farm.

Another common mistake is looking at the farm as one mass. Instead, Shout says, break down expenses and income by sector or potentially by quarter (or acre). Doing so can reveal certain crops or parts of the farm are not as profitable as initially thought.

"Say you want to grow high-yielding oats but need to get another piece of machinery to do it. This cost is spread over everything. However, if you didn't grow that crop, you didn't need that machinery. So that cost should be allocated to that one crop," he says. "We tend to lie to ourselves. We average stuff."

### Communication and stress


Shout reiterates financial analysis can weigh heavy on the mind and encourages farmers to unburden themselves from "rugged individualism" – the idea one should stand or fall completely on their own and do so privately.

"Most large-scale farms are beyond this. They have peer groups, boards, outlets to voice concerns," he says. "In agriculture, competitiveness has kept this down."

Farmers can always look to advisors for help. Trusted financial advisors, for example, are there to help your business succeed, hopefully lowering stress in the process.

"Talk to them today," Shout says. "Keep them in the loop so they know when you're coming in. Makes their job easier and keeps them in tune to the business needs. Treat it as a relationship." ■





# Help young people plan well now to afford the farm later

BY MATT McINTOSH

According to farm financial experts, addressing questions around farm purchase involves creativity in saving, investment and loan management strategies.

## Focus on segments, not the whole

Purchasing the farm is less daunting when done in increments, says BDO Canada's Coralee Foster. An accountant and partner based in south western Ontario, she believes smaller transactions – with or without a loan – let the incoming generation slowly invest in farm assets while letting the outgoing generation feel more comfortable.

“Maybe they're in a position to buy the next piece of equipment ... it might not be the whole parcel,” Foster says. An estate freeze (where the value and tax liability of appreciating assets is frozen, usually to transfer future growth to someone else) is one option, she adds. It's designed to retire equity over time.

Colin Sabourin, financial planner and investment advisor with Winnipeg's Harbourfront Wealth Management, agrees. “Any future growth goes to you. Otherwise it's just a matter of paying as slowly or as fast as you want.”

## Debt strategies

Sabourin says debt is almost always a reality for those buying a farm. He says the most significant asset many farmers possess for repaying debt is their time, which itself can be leveraged.

“You can borrow from Mom and Dad ... and work that loan off by putting in hours on the farm,” he says.

Foster says it's common for the outgoing generation to provide some financing, which can bring tax advantages if repayment is spread out.

You may need to do more than just service debt, Foster adds. “Leave room for a poor crop year, or a piece of equipment that needs to be replaced unexpectedly. Find the balance.”

## TFSA is never a bad idea

If you do have money to invest, Sabourin says a tax-free savings account (TFSA) is “a no-brainer.” Assets in a TFSA can include other forms of investment than a savings account – like stocks and mutual funds – for more aggressive saving strategies.

“If you're saving ... you should be doing it through a TFSA,” Sabourin says. He generally recommends people saving for land make additional investments elsewhere. “Keep your investments inside your TFSA conservative if you're planning on purchasing something in less than five years. If it's longer than five years, it's okay to be a little more aggressive,” he says.

According to Foster, producers with off-farm investments are in a more flexible position when it comes to transition.

## Know the numbers – and expectations

Both Foster and Sabourin reiterate it's crucial to know the financial situation of the farm. The outgoing generation needs to be transparent, while the incoming generation needs to make efforts to review the information.

“Being clear on everybody's expectations up front, I think, is the most important thing,” Foster says. ■

# TOP 7 HABITS

*of Canada's successful farmers*

Research shows business management practices are directly connected to farm financial success. Canada's most successful farmers are:

- 1** Committed to lifelong learning
- 2** Making business decisions using accurate financial data
- 3** Consulting business advisors
- 4** Writing and following business plans
- 5** Monitoring their cost of production
- 6** Assessing risks and planning to manage them
- 7** Using budgets and financial plans

## TAKE ACTION

Don't try to tackle all seven habits at once. Focus on one or two areas where you can make a change.

"Aim for progress, not perfection."

Source: CountryGuide.ca

## INTERVIEW QUESTIONS EVERY FARM SHOULD ASK

The ideal new hire is a fit for both the job and the team, but making the right choice can be difficult. The right questions can help you understand your job candidates better.

- In your past jobs, what have you enjoyed doing the most? The least?
- What is your superpower – something you are naturally good at regardless of your job?
- How would your co-workers and managers describe you?

## TIP

*Know what you're not allowed to ask, too!*

Stay away from questions related to ethnic origin, age, sexual orientation, financial situation, marital or family status, or mental or physical disabilities.

Sources: AgHires.com and GlobalNews.ca

## AUGMENTED REALITY *IN YOUR FUTURE*

Augmented reality technology brings the farmer's real world together with digital information in real-time for better on-the-spot decision-making. Global demand for this technology is expected to reach approximately US\$200 billion by 2025.

Sources: Statista.com; Nedap Livestock Management





## TALKING TO YOUR AG LENDER ABOUT MONEY

Money is an emotional subject, especially during stressful times.  
How can you make a tough conversation with your lender easier?

- ✓ Be proactive; an early heads-up builds trust
- ✓ Prepare for meetings
- ✓ Explore options ahead of time
- ✓ Stay professional

Acting early means having more options available.  
Look up “Working with your FCC team” to download a guide that will help you prepare.



## IS YOUR FARM TRANSITION FUTURE A CONCERN OR A PLAN?

Farmers say they are concerned about transition, but plans aren't always in place to alleviate the worry.  
A 2019 FCC Risk Management survey of 1,363 Canadian producers uncovered where we seem to be with this.  
Where do you fit?

- 44% of producers said that transitioning farm operations is a major concern, and yet Statistics Canada's 2016 Census of Agriculture reports that only 8% have a formal transition plan.
- The FCC Vision survey paints a more positive picture, with half the respondents who identified transition planning as a concern saying they have a plan in place.
- Both dairy and beef sector respondents listed succession planning as a top concern, but very few said that having a succession plan in place is a top strategy of theirs.

Source: FCCVision.ca: “Risk Management: Ag Production Concerns and Strategies”; Statcan.gc.ca

## DRONES – NOT JUST FOR CROP PRODUCTION ANYMORE

Did you know that drones play a growing role in Canadian livestock farming? This includes pinpointing animal location on pasture, checking animal health, herding, or checking remote watering systems, fence lines or gates.

Sources: Grainews.ca and Livestock Research Innovation Corporation newsletter, January 2020



# ***SMOOTH OUT DECISION-MAKING WITH PROCESS AND A PLAN***

THE FOLLOWING FICTIONAL CASE STUDY WAS CREATED BY MNP

The Smith family is known in their neighbourhood as resourceful and progressive. Gill is the patriarch of the family farm that includes all three of his adult children: Susan, Andy and Larry. His children share Gill's drive to grow and diversify the operation, and they make a formidable team.

Gill and Larry focus on crop production, Susan oversees the beef feedlot and Andy looks after marketing, bookkeeping and human resources. They get along very well, but all four are high energy, independent and maybe a bit impulsive. They all enjoy the division of responsibilities and decision-making autonomy.

The operation is very successful, but as the crop, beef and the new trucking operation grow, more problems arise due to a lack of communication and planning. It all came to a head when a perfect storm of mix-ups made it obvious they needed to change the way they worked and made decisions.

Larry was at an auction sale and spotted a loader tractor in decent shape with low hours. He knew Susan was looking for a second loader tractor to move bales. He called but couldn't reach her. He ended up buying the tractor thinking it would be perfect for her, and he could use it as an auger tractor when required.

Larry sent a picture of the tractor to Susan with the good news that he had bought it, only to get a call telling him she had already bought a used one online. The tractor Larry found wouldn't work for her anyway. It had a cab, and she needed an open-station tractor to move bales into and out of low-overhead buildings. The discussion got heated in a hurry.

Two days later, Gill was planning to deliver a load of grain to an elevator offering an attractive spot bid for immediate delivery.


But when he got to the yard, there was only one truck available and it was in the shop for a brake job. No one had told him all the other trucks were hauling grain for customers. He had to back out of the grain commitment and was not happy.

Gill had everyone come to his house for lunch and they had it out. Andy listened to the tractor and truck arguments, then chimed in with his own ongoing exasperation that he has no idea what the others are buying, selling or charging to accounts.

Once the grievances were aired, Andy suggested they come up with a system to go from a free-wheeling management style with decisions made on the fly to a more organized system. A meeting with their accountant and business advisor laid out some options to help them develop a formal decision-making process. They learned growing businesses of any stripe eventually hit a point where increasingly complex business structures and more people making decisions make it necessary to consider options such as a management hierarchy, board of directors or family council.

The business advisor explained how important it is to understand and separate the three-circle model of family, ownership and management, and the day-to-day business decisions. Ideally, there would be a formal governance process for each of the circles. Family decisions are made by a family council, ownership decisions are made by a board of directors, and business management decisions are made by family or staff with clearly defined responsibilities. A key message was that the initial path setting up a formal process for decisions might not be perfect.





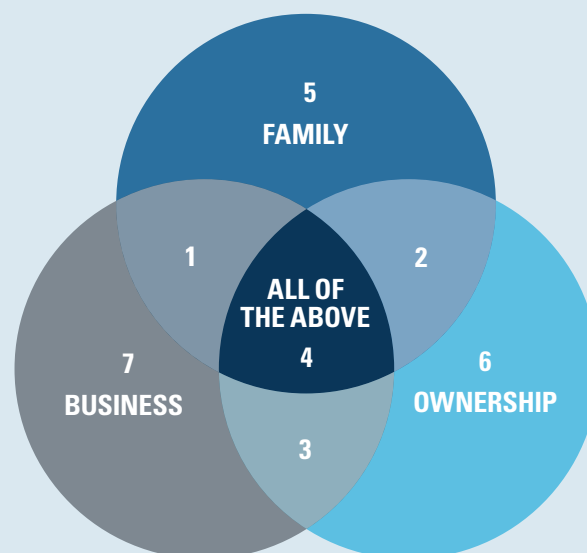
With all the concerns out in the open, the family was eager to get started.

- A family council, led by Susan, would meet quarterly. Non-farming family members would be included. This group would focus on family issues – potentially hiring next-generation kids, living arrangements in farmhouses owned by the company, dealing with arising family issues of health, retirement, increasing or decreasing involvement, etc.
- An advisory board would be created with Gill as chairman for a defined two-year term to get things rolling. In addition to the family members active in the farm business, the advisory board would include several trusted non-family members, with professional advisors brought in as required. Andy was chosen to be CEO, overseeing the business, reporting to the chairman of the board and following the board's direction.

The first task for the advisory board would be to review and select a process for decision-making when members can't reach consensus. There are many options, both complicated and simple, but a defined process that everyone agrees to enables a successful board. All family members knew it would take time and effort to move to a more formal process, but they also acknowledged that the freestyle approach would eventually stall their progress and success. ■

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



#### 1. FAMILY + BUSINESS

Members of the family involved in management who do not have an ownership stake. Imagine a daughter who leaves an accounting firm to serve as chief financial officer for the farm. She's family and management but doesn't yet have an ownership position.

#### 2. FAMILY + OWNERSHIP

Members of the family who have an ownership position and are not involved in management decisions. Perhaps grandma and grandpa are fully retired, but they still own some of the farm land.

#### 3. BUSINESS + OWNERSHIP

Owners who are part of management and not part of the family. A long-time employee might move up to a management role, and even have an ownership position, even if they are not a blood relative.

#### 4. ALL OF THE ABOVE

Family members who are in ownership as well as business positions.

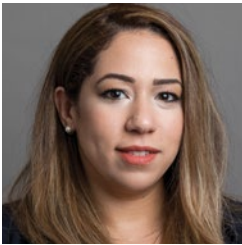
#### 5, 6 & 7. INDIVIDUALS WHO FULFIL A SINGLE ROLE



# EMPLOYEE BENEFITS ON THE FARM

BY KIM SHEPPARD

*What advice can you give to farm business owners who want to provide a benefits package to employees?*



**Yara Khankan**

Senior Consultant,  
International Benefits

Cowan Insurance Group  
Gloucester, Ont.

When thinking about employee benefits in the agricultural community, it's important to consider those for foreign workers. Recruiting foreign and seasonal workers has become increasingly popular in Canada, allowing employers to fulfil their mandate, often providing the competitive edge required to deliver services, products and projects – especially after long-standing vacancies or difficulty finding staff.

As an employer, considering all reasonable measures to ensure employees are accommodated is referred to as “duty of care” and helps ensure the new employee can fulfil his or her employment mandate. For in-patriates (those on a work visa, for example), understanding Canada's single-payer healthcare system can be a daunting undertaking that results in unnecessary stress. In this case, duty of care may include helping employees with integration into – and navigation of – a new culture, society and healthcare system.

It's important to know where your foreign workers fit within the provincial healthcare system and the answers to questions such as:

- Is my worker eligible for provincial healthcare?
- What are the necessary criteria?
- Is there a waiting period?

- How do I ensure my employee is adequately covered to eliminate the risk of a catastrophic claim – and the financial liability that comes with it?

Although the requirements vary by province, foreign workers holding a valid work permit may be eligible for a provincial health insurance plan such as medical services insurance (MSI) in Nova Scotia and Ontario health insurance plan (OHIP) in Ontario.

Eligibility is contingent on:

- Validity period of the work permit
- Duration of an employee's consecutive physical presence in the province
- Employee's full-time employment status for a minimum of six months

Once a foreign employee's application for a provincial health insurance plan is approved, it can take up to three months for coverage to begin. During this waiting period, employees without privately attained provincial-plan replacement coverage run the risk of significant and costly medical claims. This can pose a grave risk to employers financially and in their obligation to uphold their duty of care.

It's imperative to educate employees on how to use their newly granted government health insurance plan (GHIP) or provincial-plan replacement coverage and on how it integrates with your organization's benefits program if you have one.

Securing coverage is only as beneficial as the information and knowledge passed on to employees.



**Jade Reeve**

AgriJobs Manager

Canadian Agricultural Human  
Resources Council (CAHRC)

Ottawa, Ont.

Offering benefits packages to employees is a great way to recruit and retain employees. As most employers know, there's an array of benefit packages that can be put together based on the size of business, number of full-time employees, etc.

These are the benefits typically considered when putting a package together:

- **Health plans** cover a portion of pharmaceutical drugs and treatments not covered by provincial or territorial health care systems.
- **Dental plans** for dental costs such as regular cleanings and/or dental procedures (surgery, orthodontics).
- **Life insurance plans** in an amount equal to a worker's annual salary in case of death.
- **Accidental death and dismemberment plans** provide a benefit in case of an accident and cover loss of bodily appendages or loss of vision due to an accident.
- **Short and/or long-term disability plans** cover the required time off work in case of an accident.

Employee assistance programs provide confidential assistance to your workers on various issues such as:

- Financial advice
- Counselling or therapy
- Legal recommendations
- Childcare
- Addictions
- Work-life balance
- Registered retirement savings plan (RRSP) matching or contribution programs that are provided by some employers to help workers save for retirement.

While these are all great options, most employers are unable to offer these benefits to seasonal employees. Given that a lot of farm businesses have seasonal workers, there's something to be said about the value of non-monetary benefits. After speaking with many employers and workers at farm businesses, we have learned the non-monetary benefits can far outweigh the traditional benefits packages. Often, non-monetary benefits provide flexibility, health and wellness, a feeling of belonging and of being a part of the family.

Though we call these non-monetary benefits, they do come at a cost that employers should consider before putting the package together. That said, these methods have proved to be extremely popular and successful among the workers who receive them. In turn, the farm businesses have remarked they have reliable workers who work hard and who have increased their productivity and morale on the farm. ■

# WHO'S THE CTO ON YOUR FARM?

BY PETER GREDIG

The business world is great at creating impressive-sounding job acronyms for executive positions. A CEO, or chief executive officer, is the boss. CFO or chief financial officer is the money person and a COO is a chief operating officer, the person who keeps things humming day-to-day and keeps the CEO apprised of how things are going.

It's an interesting exercise to consider who is filling the most common executive positions in your business. If other successful businesses use these titles to define and assign responsibilities, why wouldn't farm businesses?

While most farms can identify who might fill the CEO or CFO role, the position of CTO, or chief technology officer, is often overlooked. No major company is without a CTO and it's one of the first positions filled at a tech start-up company.

## The CTO job description

The responsibilities vary depending on the company and nature of their business but tend to include the following tasks:

- **Develop a technology strategy** aligned with the company's business goals.
- **Discover and implement** new technologies that create a competitive advantage.
- **Help staff** use the technology profitably by cutting costs, boosting productivity or improving efficiency.
- **Ensure proper use and efficiency creation** of new and existing technologies.

- **Make adjustments** based on feedback from staff and clients to improve the use of technology.

- **Communicate the technology strategy** to partners and investors.

We know advances in technology will continue to change the way we farm and live our lives. But does your farm have a strategy for exploring and adopting new technology? Is there a person who is responsible for working with employees to make sure tech is being used optimally?

Whether you formally assign someone to this role or have an informal arrangement within the family, someone needs to be fulfilling the responsibilities of a CTO. It can be as sophisticated as having your full-time CTO create and implement a complete precision farming strategy taking into account seeding, spraying and harvesting equipment, the software required and a data analysis plan. Or it can be as simple as asking your tech-savvy daughter to be responsible for selecting the next smartphone upgrade and reviewing the current mobile data plan.

It's not realistic for all farms to have a full-time position for a CTO and the same holds true for small or start-up companies outside agriculture. Going from an ad hoc or informal approach to hiring a full-time employee as a CTO is too big a jump. The intermediate step is to hire a technical advisor on an as-needed basis.

Maybe a dairy farmer is considering a move to robotic milkers or a greenhouse grower is looking to upgrade the heating system and water treatment processes. An independent technical advisor





can be hired on an hourly basis to ensure all factors are considered in decision-making. A technical advisor can also help producers and staff transition to new technologies smoothly and provide training where required.

Understanding the qualities that make a good CTO or technical advisor helps when hiring or selecting an existing employee or family member to fill the role. Look for:

- **People eager to learn and understand** new things rather than someone who already has all the answers.
- **A good multi-tasker**, with the ability to manage numerous challenges at once is required.
- **Strong communication skills**, which allow the CTO to bring the rest of the team on board. Everyone needs to understand the technology, how it will be utilized, and what the goals are for the operation. Translating tech jargon to layman's terms is a big part of the job.
- **A focus on appropriate technology.** For example, technology that enables scale and efficiency if the operation is growing. The skills and vision of the CTO must mesh with the direction the farm is taking.

Going through this process with staff and family members is valuable, even on farms with a small team of family or employees. Knowing how everyone feels about existing and new technologies helps build the right process going forward. You may find there is a real tech champion on your team you weren't aware of. If you're the CEO on your farm, part of your job is to make sure tasks and responsibilities of a CTO are being fulfilled. ■

## TIPS FOR THE NEW CTO

Here are some suggested first steps when taking responsibility for the technology strategy for your employer:

- 1 Interview all staff and management** to get a feel for the culture of the company. Is there a positive or negative attitude towards innovation and leading-edge technology?
- 2 Assess success** by asking what the team thinks is working or not working with the technology already in place. Discuss the wins and losses from past experiences with technology.
- 3 Understand the current process** for implementing new ideas or technology. Who is involved and how are decisions made? What happens when problems arise?
- 4 Be open** to questions and suggestions from the team relating to technology.
- 5 Build a technology strategy** using all the information gathered.

# INCREASES IN CANADIAN FARMLAND VALUES SOFTENING

This year's report reflects factors that influenced average land values prior to the COVID-19 pandemic.

The average value of Canadian farmland increased by 5.2% in 2019, the smallest increase over the past decade, according to the latest FCC Farmland Values Report. This follows gains of 8.4% and 6.6% in 2017 and 2018, respectively, and becomes part of a five-year trend of softening growth in average farmland values.

"Changes in commodity prices, uncertainty around global trade and some challenging weather conditions may be tapping the brakes on an otherwise healthy and robust Canadian agriculture industry," says J.P. Gervais, FCC's chief agricultural economist.

The highest provincial increases in 2019 were observed in two Atlantic provinces: P.E.I. with an average increase of 22.6% and New Brunswick with 17.2%.

Ontario, Quebec and Saskatchewan reported average increases slightly above the national average at 6.7%, 6.4% and 6.2%, respectively, while B.C. was closest to the national average at 5.4%. Manitoba, Alberta and Nova Scotia had average increases below the national average at 4.0%, 3.3% and 1.2%, respectively.

"Given the uncertainty, I expect farmers and ranchers to continue being careful with their investments," Gervais says. He encourages producers to have and maintain a risk management plan that considers a broad range of possible economic changes, such as variable production, volatile commodity prices or disruptions to global trade.

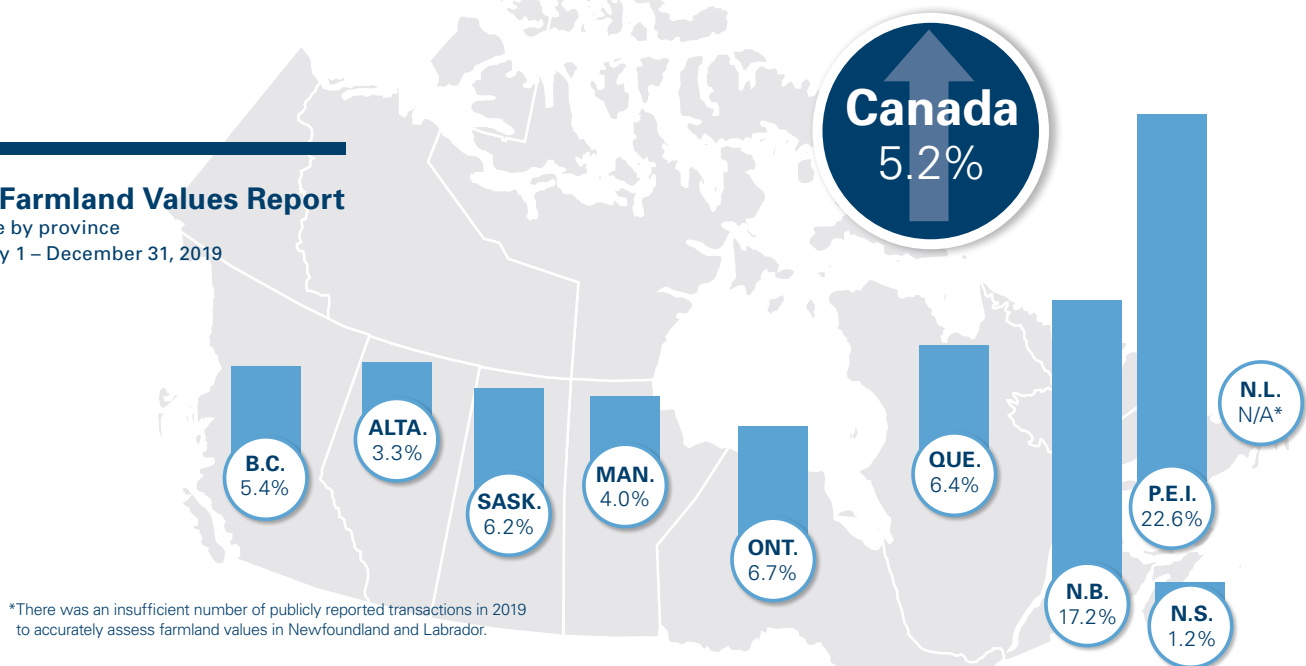
It's important to note that this year's report reflects factors that influenced average land values prior to the COVID-19 pandemic, Gervais says. ■

Get regular updates and unique perspectives on national and global economic events that impact Canadian agriculture.

[fcc.ca/AgEconomics](http://fcc.ca/AgEconomics)

## FCC Farmland Values Report

Change by province  
January 1 – December 31, 2019



\*There was an insufficient number of publicly reported transactions in 2019 to accurately assess farmland values in Newfoundland and Labrador.

Increases in farmland values reported across the country are as wide and varied as the factors that may have influenced them, and the COVID-19 pandemic makes the current economic environment even more challenging for farm operations and business owners throughout the entire food value chain.





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