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

- engaging
- motivational
- innovative
- actionable

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

Est. 2004, Edition 92

Editor, Kim Sheppard

Original photography by
HuszarVisuals.ca

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PRODUCER PROFILE

Strong relationships fuel farm success

Nurturing good relationships with all stakeholders is key to the Berry family's growth and success.

11 FEATURES

Top financial strategies for young farmers

Future farm ownership may be made easier by knowing the books well while keeping a sharp focus on leveraging your everyday purchases and expenses creatively.

12

4 steps to turning farm family conflict into collaboration

A focus on shared values during disagreements can help fuel the flames of innovation rather than discontent.

14

How two agribusinesses adapted and embraced the unexpected

Sometimes the things that come out of left field are the very things that steer us into new and exciting opportunities.

3 YOUR MONEY

Keep business and personal finances separate

Separating your finances can help avoid unnecessary headaches in the tax season. These tips will help.

8 UP AND COMERS

Bright minds from Olds College

David McKinnon and Lauren Ward have an eye on the best future for agriculture as they learn skills to apply new technologies and innovations.

18 CASE STUDY

Will splitting the farm into two corporations simplify transition?

A brother and sister discover if the "related party butterfly" process is the right move for their farm family.

20 ASK AN EXPERT

Should we start an agri-food retail or farmers co-op?

There is so much to consider when seeking new ways of competing in an evolving marketplace. Three experts share their takes on how to get into retail or a co-op.

22 AG INNOVATION

Integrating data to drive profitability

Avenues for data generation are ever evolving and finding ways to pull it all together in a valuable, profitable way is more important than ever.

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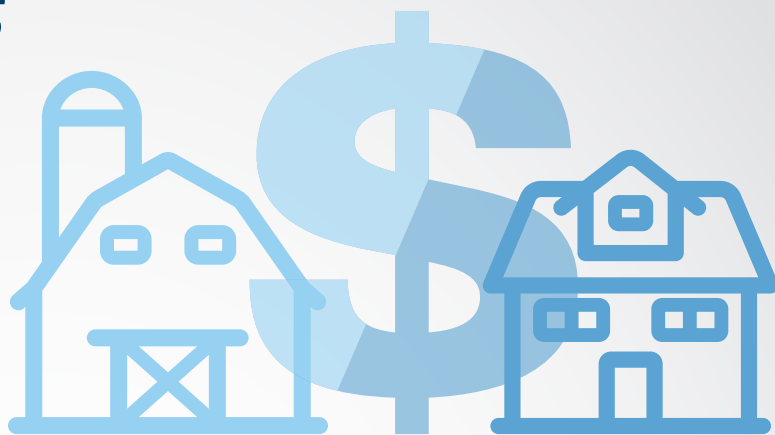
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KEEP BUSINESS AND PERSONAL FINANCES SEPARATE

BY RICHARD KAMCHEN



Separate your farm business and other finances to better understand your operation's performance and remove unnecessary headaches from the tax season.

"It's good business practice, and it's good personal finance practice," says Vanessa Stockbrugger, founder of Womencents.

Mingling finances only complicates things and misses getting a clear picture of how your farm and household are running, she says.

Prevent blending

One of the best ways to keep your business and personal finances separate is to have separate bank accounts and credit cards, says Erich Weber, business finance specialist with Ontario Agriculture, Food and Rural Affairs.

He also recommends separating assets, ensuring farm assets are under the farm name, while personal assets are kept in your personal name.

Other income

Financial mingling can also be an issue for those generating outside income.

When working off-farm, tax deductions are taken off every cheque, with the net

amount ideally going into your personal account, Stockbrugger says. But if it winds up in the farm account, you can't know where you're drawing money from, she adds.

Issues also could arise during tax season when you'll need clarity on how revenue will be taxed, adds Manitoba Agriculture farm management specialist Sharon Ardron.

Risks

It's important to have separate bank accounts, especially if the farm is incorporated, as there's a corporate tax for the business and a separate personal income tax, Stockbrugger says.

Weber says including a personal expense or asset on your farm income tax return can lead to your income tax returns being filed incorrectly, resulting in higher tax owing and possible penalties, with perhaps added accounting costs.

Another danger of not separating finances is causing a shortfall in farm

working capital that might have been needed to cover business obligations, Ardron says.

Digitize

One way to navigate these waters is to use farm accounting software that allows users to separate their books. Separate accounts can help in determining if the farm is truly self-sustaining, notes Laurier Poirier, FCC AgExpert product specialist.

COVID-19 financial support for farmers has heightened the importance of accurate bookkeeping as governments seek specific figures.

"The better your bookkeeping, the easier it is to apply or qualify for different programs," Poirier says.

The pandemic has also factored into the growing popularity of AgExpert's web-based subscription, he notes. With the challenges of in-person meetings, it makes accounts more accessible and easier to share. ■

Remember these tips:

- *Keep your farm finances and assets separate*
- *Separate books benefit farm and household analysis*
- *Don't overpay taxes by mingling revenues and expenses*
- *AgExpert simplifies bookkeeping while enhancing accessibility and sharing*

STRONG RELATIONSHIPS FUEL FARM SUCCESS

BY BERNARD TOBIN

When relationships are nurtured with all stakeholders – from immediate family members to employees, suppliers, community and industry – good things are bound to happen.

That's certainly the case at Under the Hill Farms Ltd. and Over the Hill Farms Ltd., the enterprises owned and operated by the Berry family near Cypress River, Man. Fun fact: one farm got its name because it becomes visible when you drive over a hill; the under the hill moniker was chosen for the potato business and the need for spuds to grow under hills. Over the past two decades, brothers Doug and Bruce Berry, together with their sons Chad and Kevin, have combined big ideas, efficiency, measured risk, and a team approach to drive growth. Today the combined operation seeds 13,000 acres of diversified crops.

Some might call the Berrys aggressive when it comes to growing the farm business, but Chad views it through a different lens.

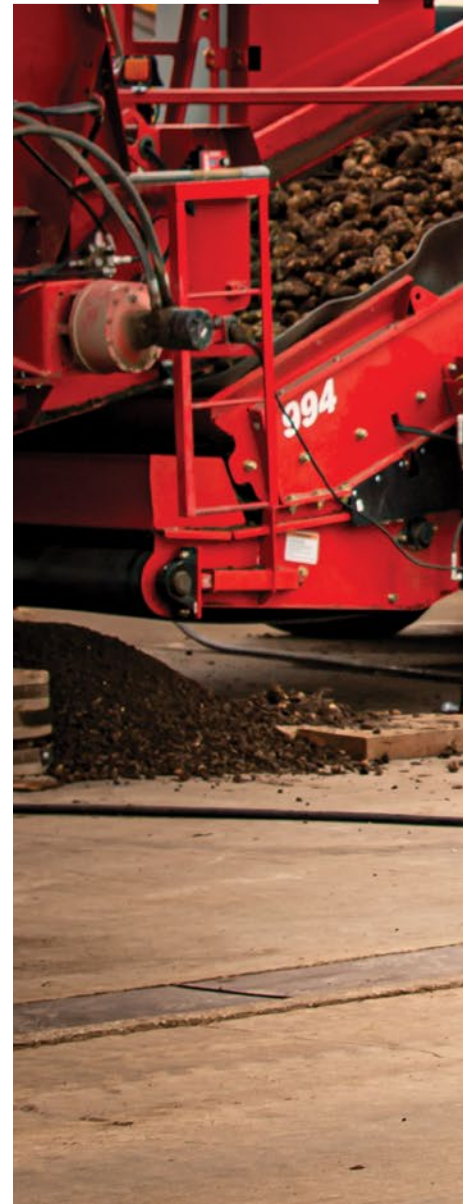
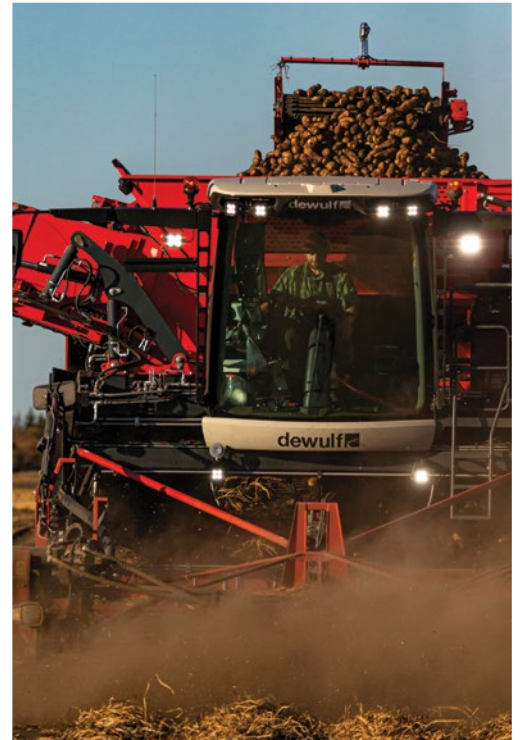
"We're definitely risk takers, but we try to make sure everything's the right size and it justifies the equipment we have to use to get the job done. The efficiencies of running the farm definitely show up as you get to a certain size; you can buy better and you can market better."

Low turnover proves efficient

They also have their own view of how to effectively engage, manage and appreciate the people who help make Under and Over the Hill farms successful. With 14 full-time and 20 part-time employees, the operation is one of the largest employers in the Cypress River area. It has very little turnover and a highly motivated team eager to contribute to success.

"You have to treat your staff with respect. The better you treat people, the more you get accomplished; and happy people work better than unhappy people," Chad says. "Most of our staff are long-term employees. If someone comes out here, if they fit in, they're going to be here as long as they want to be."

A reliable and committed staff also makes the business more efficient. "It reduces training time every season," Chad says. "You're not always explaining the machinery and equipment to people. They understand how it runs and that means less breakdowns and less accidents." With many fields to navigate, long-term staff know their way around.





(L to R) Kevin, Doug, Bruce and Chad Berry



Turning the tables on suppliers

The Berrys take a similar approach when it comes to business suppliers. “Most of our relationships with our suppliers and people we contract with are long-term commitments,” Chad notes. Since Under the Hill Farms started growing potatoes 25 years ago, they’ve used the same retailer to manage the fertility needs of their potato fields. “If we’re working with someone and they treat us correctly, we’re going to be there for a long time.”

Their relationship management includes a unique approach to supplier appreciation. Several years ago, they purchased a local golf course that now plays an important role in supporting the farming enterprise.

While most businesses the size of Under and Over the Hill farms would expect to be wined and dined by suppliers, they do the opposite. Every year they invite farm suppliers to a golf tournament designed to say thanks for their contribution to the success of the business. The event was postponed this year due to COVID-19, but the Berrys hope to be back on schedule for 2021.

“We invite all our parts, chemical and input suppliers – everyone we contract. We just have a fun day. Everybody gets to mix and meet and have a steak supper,” Chad says. The golf course restaurant also supports farm staff, delivering up to 40 meals daily during harvest season.

And with 40 per cent of their crop seeded on rented acres, Chad notes landlord relations are a key focus. “You’ve got to have long-term relationships and treat them fairly,” he says. “We have to be consistent, do a good job and take care of that land.”

Division of duties

When it comes to family farming, nowhere are relationships more important than within the immediate family. Under and Over the Hill farms are two corporations with Doug, Bruce, Chad and Kevin being shareholders. Over time, they’ve all found their niche within the operation.

“My father’s more of an ideas man. He works to get stuff done and trains a lot of our people. Bruce does all the book work, paperwork; keeps everything aligned in the office,” Chad explains. “Kevin looks after the grain harvest and I look after more of the potato harvest. We all make decisions as a group and it’s worked very well.”

For the last 15 years, Chad has been on the board of the Keystone Potato Producers Association, and he’s been president for 10. It’s a large commitment, 30 to 40 days a year, but he believes it’s important for farmers to help guide and direct their industry. “It’s also good for our farm to be up to date and know what’s happening,” he notes.



Learn from peers

Visitors to Under and Over the Hill farms should be warned that the Berrys are an inquisitive group – they're always on the lookout for new ideas or the next best thing. FCC senior relationship manager Tyler Thompson confides that he always comes armed with fresh industry insights and ideas or a new business nugget when he connects with Chad and the Berry team.

Chad believes that relationships with FCC, other suppliers and industry contacts play a key role in helping the farm manage risk. "I learn from other people. That takes away a lot of risk. If somebody else has already done something, you get to learn from it. If you just stick in your own bubble, you'll never change. And in this industry, you can't not change."

Innovation investments

To fuel growth and efficiency, Under and Over the Hill farms rely heavily on innovation. "We always try and be at the forefront and push the technology as fast as we can," Chad says. When Manitoba announced provincial support for solar power on farms, they quickly signed on. It's been a big win. "We've got seven solar sites on the farm. It's just about a megawatt of solar and it supplies most of our high-cost electricity."

Other crop production and technology innovations can be seen throughout the farming operations. Coloured beans have been a successful enterprise. "We geared up to do it right and we have the equipment to do the job," Chad says. An investment in irrigation is also proving to be a shrewd move. "It's something new in this area but we had a dry summer and it's really paying off. It's guaranteed our crops and is reducing the risk of spending money on inputs and getting a low return."

But not every venture is a winning one, Chad admits, and some of their key enterprises go through troubling times. "We had a tough harvest last year. We left a lot of our beans in the field." The potato crop was challenging, too – 20 per cent of the crop was left unharvested. That's farming, he says. Dealing with adversity is part of the territory.

In 2020, the Berrys stretched the operation again with their first crop of zero-till potatoes. They had some success they'll try to build on in 2021.

Chad doesn't expect his partners will stray too far from their current path in the years ahead. "We're willing to change and push the farm into different operations and different crops if it makes sense for business operations," Chad says. "You just move on to next year. You can't do anything about what happened in the past other than plan for the future." ■

Bright minds at Olds College

BY OWEN ROBERTS



David McKinnon

Program:
Agriculture Management

Major: Production

Hometown: Nanaimo, B.C.

Why did you choose this path?

I chose to leave the army after 13 years, and I decided to follow a dream I've had since I

was a kid and got my first horse. The opportunity to work with my horse and help out some friends with cattle got me looking at Olds College and the agriculture management program. A close friend showed me what she had been learning with variable rate and regenerative agriculture. Seeing how emerging technologies and practices are helping agriculture feed the future and take care of the land opened my eyes.

Where do you see yourself in 5 to 10 years?

Finish my diploma, complete my bachelor's at University of Lethbridge in agricultural studies and become a professional agrologist with Alberta Institute of Agrologists. I hope to have my own land with cattle and horses, while contributing to regenerative agriculture in a meaningful way. I want to help producers get the most out of their land while ensuring it will be even better for the generations to follow. Part of this is to find ways to apply the emerging technologies that are helping crop production maintain better and higher-producing pastures for livestock.

What advice do you have for others?

Enjoy your time at school! Form friendships, join clubs and learn everything you can. There will always be an assignment you could have done better on, or a test where you missed an answer that should have been obvious. But at the end of the day, you'll remember the friends you made and the things you learned, not the question you got wrong. So do your best, relax, and enjoy this experience.



- Established in 1913, is located in Olds, Alta., about 85 kilometres north of Calgary.
- Vision is to be the premier integrated learning and applied research community specializing in agriculture, horticulture, land and environmental stewardship.
- Known for high-tech, hands-on agriculture education and innovative applied research that lays the foundation for solving real-world problems in farming, food and land.



David McKinnon



Lauren Ward



Lauren Ward

Program:
Precision Agriculture

Hometown: Didsbury, Alta.

Why did you choose this path?

Even as a kid, I always wanted to be a farmer – an odd aspiration for someone growing up in town. I was

drawn to farming. I would constantly ask to help feed cows or ride in a tractor whenever I visited my grandparents' farm. This interest really came to life this year, after I learned about all the new technology and everything going on in agriculture today and specifically at Olds College. I knew I had to be a part of it. I can't wait to take what I am learning to help farmers and the environment, while getting to work in an industry I love.

Where do you see yourself in 5 to 10 years?

Working with farmers and for farmers, helping them mould their agricultural practices in ways that better fit the environment around them and benefit them financially. I don't know what this means for me yet, but I am passionate about the possibility of improving agriculture here in Canada and in parts of the world where agriculture is not as developed. I believe a "smarter" and more sustainable way of farming is very reachable, and I am excited to be a part of it.

What advice do you have for others?

To work in agriculture, you don't need to fit the idea of a stereotypical farmer. I was worried about that, because I have never lived on a farm. I was worried I might fail because I haven't grown up farming, but I quickly discovered that even if it might take a few more steps to reach your goals, you'll be more thankful when you get there. There's no shame in working a little harder. You'll appreciate it more later when you succeed. ■

- Offers programming in agriculture, horticulture, land and environment management, animal science, food production, business and trades and apprenticeships.
- Home to a 2,000-acre Smart Farm described as "essentially a giant lab that provides the agriculture sector a venue for commercial-scale applied research."

- Recently launched two new programs in agriculture technology, including a precision agriculture tech-gonomy diploma and an agriculture technology post-diploma certificate.
- Ranked among the top 50 research colleges in Canada by Research Infosource Inc.

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TOP FINANCIAL STRATEGIES FOR YOUNG FARMERS

BY MATT McINTOSH

Farming is an expensive business to be in, let alone break into. According to financial planning experts, as young farmers work towards ownership, they need to understand the importance of good record-keeping habits, as well as employing creativity in generating value from the business.

Establish good record-keeping habits

Though rather mundane, disciplined record-keeping practices are critical to knowing whether a business is profitable, says Terry Betker, president and chief executive officer for the prairie-based farm management consulting firm Backswath Management Inc.

“It makes it easier to manage a larger business over time. The extension to that is, if you’re actively involved in record-keeping, it builds a base of information and understanding for future decisions,” Betker says.

“Generally, I think it’s about the timing of future cash flow needs. Being busy doing work and making regular payments is one thing – anticipating and preparing for future payments is another.”

Paying GST quarterly is a tactic Yan Lafond, a Manitoba grain farmer, finds particularly helpful in keeping records up-to-date. Doing so ensures he thinks about finances with greater regularity and prevents him from pushing payments back. His farm business advisors also benefit.

“I use AgExpert and try to do, bare minimum, quarterly updates. I do try to do it a bit more often if I can,” Lafond says.

“Being slightly more organized helps [my advisor] feel more at ease.”

Profitability through creativity

For Colin Sabourin, financial and investment advisor with Harbourfront Wealth Management in Winnipeg, building personal equity should be a priority from day one. Tough as it can be, doing so provides more business management options in the long term.

“Try and put away \$10 dollars per acre. Don’t just take the profits and buy a new truck,” he says. “If you’re struggling to get by, the number one priority is trying to make the farm successful.”

Betker expresses the same sentiment, adding the purchase of land – and efficiently paying debt – is one of the most effective options.

Land can be prohibitively expensive in some areas, however. Debt from land and equipment loans, a reality for many, needs to be leveraged in a way supportive of business goals – such as whether a loan will be floated for shorter term sales, or as a long-term asset.

In these cases, Betker encourages young farmers to employ creativity. Buying machinery for custom work, cost-sharing assets with peers in similar circumstances, incorporating a small number of livestock into existing farm infrastructure, and just trying to save money wherever possible are all examples of creative equity-building. Generating off-farm income can also help pay the bills.

Regardless, keeping a budget and managing cash flow is critical.

“Don’t spend all your money. Having some of your own wealth, wherever that is, will be a good thing,” he says. “Equity compounds on itself.” ■

4 STEPS TO TURNING FARM FAMILY CONFLICT INTO COLLABORATION

BY EMILY LEESON

Conflict happens. It's a guaranteed part of the human experience. Sparks may fly when opinions collide but if a culture of respect, open communication and shared values is fostered on a farm, those differing viewpoints can instead fuel the flames of innovation.

The Keddy family, like most farm families who live and work side-by-side, know this firsthand. On their family farm in Nova Scotia's lush Annapolis Valley, business matters often come from the farmyard straight to the dinner table.

"When you run a family farm, business flows through all the time," says Phillip Keddy, who runs the family nursery stock and sweet potato farm alongside his wife Katie and his parents, Charles and Doris.

With farm management and family life all tied up together, navigating instances of conflict can be a daunting task for farm managers. Some try to avoid it altogether: delaying tough discussions, ignoring divisive issues, and holding fast to the status quo at all costs.

For the Keddy family, a culture of open communication and respect has underlined their success as a second-generation business.

"From a young age, it was always fostered in us to make small decisions, knowing that one day, we'd have to make big ones," Keddy explains. With the encouragement of his parents, when he returned to the family business after his education, he tried something outside the box of their nursery stock business: sweet potatoes. Today, Valley Harvest Sweet Potatoes produces over a million pounds of sweet potatoes – an innovative crop for the Atlantic region and a lucrative shift for the business that might not have happened had the Keddys not been open to new ideas around the dinner table.

Many farm families find themselves at odds because good communication practices aren't in place, says Elaine Froese, a certified farm family coach specializing in transition planning and on-the-farm conflict resolution.

"People are assuming what the other person is thinking, feeling, needing or wanting," she explains.

Froese spends a good portion of her time with clients helping them understand their own communication style and how it factors into conflict.

"A lot of farmers are reactive instead of proactive," she says. "The mindset shift that needs to happen is that conflict is not bad, it's a way to discover things."

Turning conflict into opportunity

Gather perspective: Try putting yourself in the other person's position to understand their point of view. Reach out, ask questions, brainstorm together and be open to listening. Conflict often arises because of the fear of what might happen next. "A good question is: What are you afraid of?" Froese says.

Keddy says his parents have always been open to his input. "We have ideas and aspirations for the farm and our parents are accepting of that," he says.

That collaborative environment has been conducive to new ideas that fit well with the established business. The sweet potato crop now fills a natural gap in the nursery stock business. The production of sweet potatoes means that the Keddy's labour force can keep busy during the slow times of the nursery stock production.



Get a handle on emotions: “You need to be able to express emotion,” Froese says. Hurt, anger, frustration – they are all common emotions lurking behind conflict. Understanding the roots of an emotional response can be key to discussing tough topics. Prepare to encounter emotion, but don’t be weighed down by it.

If the highs and lows of business decisions can be discussed and examined without overly charged emotion, there’s more room for innovation. Building a healthy resilience to failure is just as important as aiming at success when it comes to running a sustainable, long-term family business.

“Over the years, my Dad’s learned the hard way sometimes – you make a mistake and you learn from it, and your business gets better,” Keddy explains. “He realized that you’ve got to make some small mistakes in order to learn the lessons from them, and that will make the business stronger.”

Be curious and establish common interest: “When you know what everybody really wants then that is what you are working towards,” Froese explains. Speak to the goals you share for the business and for your family.

Although the Keddys do spend most of their time working on their own divisions within the farm, when large decisions need to be made, they all weigh in – with a firm focus on the business.

“If for example, we’re talking about making a building bigger,” says Keddy, “it’s a decision we all have to make. We don’t jump right in.”

Branching the business off into a new direction meant first investing in five years of experimental plantings, and then eventually a substantial investment in infrastructure: a new building for curing the crop.

“A lot of thought goes into our decisions — we don’t always agree on the outcome, but at the end of the day we all work together to see it through,” Keddy explains.

Make a plan: If a solution takes time, it takes time. Let things settle and take a time-out if tensions start to rise. Even before conflicting views or differing opinions arise though, farm families can ensure that they have a plan for how to act when conflict arises. “Some families do that with a family participation policy, some call it a code of conduct, some people call it a family charter,” explains Froese. “There’s different names for it, but it’s ‘this is what we’ve agreed to and this is how we’re going to behave.’”

“You’re already in a very stressful occupation,” adds Froese. “Being able to navigate conflict well will really mitigate your stress. It’s huge.”

For the Keddys, that means getting ahead of the game and modelling for the next generation the culture of trust and communication that has taken them far already.

This fall, the Keddy kids sold out of pumpkins at their roadside stand. It was a bit of a surprise to their dad, Phillip, who’d been skeptical (though silently so) of their choice of varieties. In the end, the results suggest that the kids were right to follow their gut about the appeal of “weird pumpkins” in 2020.

Letting them make those first small decisions, and watching the innovations occur – even when he doesn’t always initially agree – is all part of fostering future success. “We’ll keep building that into the business as they get older,” Keddy says. That’s the sweet spot where collaboration conquers conflict. ■

HOW TWO AGRIBUSINESSES ADAPTED AND EMBRACED THE UNEXPECTED

BY MATT McINTOSH

An unprecedented scope of uncertainty in the farming world dawned with 2020. But Canada's agriculture sector isn't new to crisis. From bovine spongiform encephalopathy (BSE) to crashing commodity prices, farmers and agribusinesses continue finding ways of getting through – and even prospering – in the face of the unexpected.

A diversified approach

Tessa Verbeek's family got into the Alberta beef industry in 2005 in the middle of BSE – a risk taken with the aim of buying low and selling higher as the industry recovered. The strategy was somewhat effective, though certainly not as much as initially hoped. Alternative income sources were sought.

At the time Verbeek – who now farms and ranches with her husband Colin and in-laws in Sturgeon County – was heavily involved in 4-H beef clubs, as well as a variety of other producer and community organizations. In part, this prompted the family to make inroads in the show cattle market. That meant focusing on different genetics, sales strategies, and even teaching cattle showing clinics.

"It was kind of born out of our passion for 4-H. And I love teaching and passing on skills," says Verbeek. She adds the clinics

didn't bring an enormous windfall, but they did help pay the bills. And continue to do so. Clinics still make up one of several facets of her family's current farm business, sitting alongside grain production and bull sales. Selling calves for the show club market also remains a major part of their business.


With the pandemic, of course, opportunities to show cattle have been extremely limited. But a business strategy splitting sales between markets in Alberta, Saskatchewan and British Columbia proved invaluable.

"It was one way for us to make decent money on commercial cows that have later calves," says Verbeek. "For our market, we sell steers and heifers to B.C. because they have later achievement days. We developed a customer base from doing clinics, getting to know people. We have a good mixture of earlier calves for Alberta and Saskatchewan customers."

"We also do it because we don't have the barn space to calve 200-plus calves all at once, and we don't have the manpower."

While grain farming and ranching bring an enormous – and often overlapping – amount of work, further diversification remains an ongoing discussion for Verbeek and her family.

"We're always harvesting when prepping for the calf sales, but in the end we're thankful for having all those enterprises.



"We're always trying to think of what else could be ... it's a continual conversation and looking ahead."

It does help to weather some of the storms, provided both markets aren't in the tank," she says.

"We're always trying to think of what else could be. I'd say it's a continual conversation and looking ahead."

Pivoting with technology

COVID-19 brought unique challenges to the world of animal health. For veterinarians, finding novel ways to serve farmers meant finding creative labour solutions and leaning more heavily into established tele-health trends.

More active communication with farmers about their own health has been important, according to Nova Scotia veterinarian Trevor Lawson.

If a farmer has been sick or is at higher risk, for example, Lawson says practitioners now send more than one person, assuming the farmer can't readily provide assistance on two-person jobs. This is particularly important in situations where physical distancing is not possible. The change might sound simple, but it's still a unique challenge compared to pre-pandemic days.

"Some tasks just can't be performed alone," Lawson says. He cites a recent example where a farm client had to help him calve a

"particularly unfriendly" Charolais cow. However, he reiterates the importance of taking steps to limit person-to-person interaction whenever possible.

Diagnosing and checking on farm animals through phone calls and file sharing (e.g., videos) has been a long-employed method of limiting the need for farm visits. But since March 2020, these tele-health services have been essential for veterinarians.

Since technology had been used with increasing frequency prior to the pandemic, Lawson says they didn't face a steep learning curve when the pathogen reached Canadian shores.

"I've been in practice for 15 years and have been using it right from the start. We're much more prepared for case updates," says Lawson. "We're adapting in light of COVID, but really we were doing much of it in the first place."

Examples from the agriculture industry, such as those detailed here, highlight the importance of flexibility and adaptability when confronting unexpected circumstances. Of course, adaptation and embracing change also tends to be easier when coupled with positivity. ■

PLANNING FOR DIRECT MARKETING SUCCESS

Having a plan will help a new direct marketing venture get started on the right foot. Here are five key components of a winning marketing strategy:

- **Direction.** Why are you starting the venture and what do you want to achieve?
- **Product & market.** What will you sell and to whom? What makes it unique?
- **Price & distribution.** How can you price it for sales and profit, and get it to buyers?
- **Brand & budget.** What is your brand? How will you promote it, and how much can you spend?
- **Results.** Are you reaching the audience you want and achieving your targets?

Learn more about business planning at [fcc.ca/Knowledge](https://www.fcc.ca/Knowledge)

Source: Country Guide

BUILDING TRUST IN THE FUTURE OF FOOD

Food has never been safer, but consumers have never been more scared, says food futurist Jack Bobo. Who better to answer their questions than the people who produce food? Bobo's tips for building trust when telling your story:

- **Acknowledge concerns**
- **Find common values**
- **Make it personal**

Source: Presentation to Ag Innovation Showcase 2020

"If they get the why, they often don't care about the what."
— Jack Bobo, CEO, Futurity



MENTAL HEALTH: MORE THAN THE ABSENCE OF ILLNESS

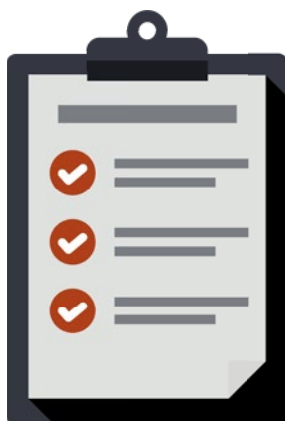
Good mental health is more than the absence of a condition or illness: it's a positive sense of well-being; the capacity to enjoy life and deal with challenges.



Experience greater well-being and joy in 2021

The Do More Agriculture Foundation is bringing mental health resources to all agriculture communities across Canada. Dedicated solely to those in agriculture, the workshops and webinars include courses such as Talk, Ask, Listen and Mental Health First Aid. Do more for yourself. Find a workshop that fits your schedule at [DoMore.Ag/how-to-do-more](https://domore.ag/how-to-do-more).

Sources: domore.ag and ontario.cmha.ca



THE ***GREAT BOSS*** CHECKLIST

What should you do if you want to be a great boss?

- Provide clear and consistent feedback
- Keep an open door and an open ear for employee suggestions
- Appreciate and recognize a job well done

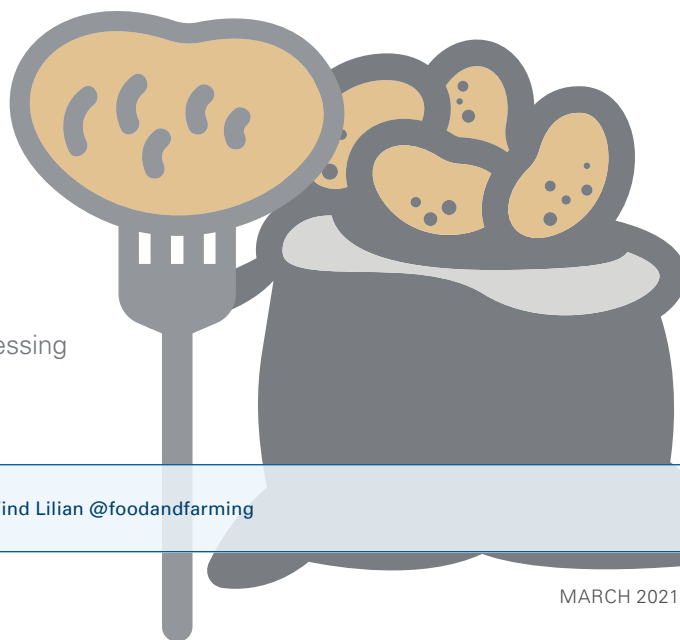
Source: Country Guide, February 2020, p. 34 & 35

TUBER TALK

Did you know?

- Canada has 173 registered varieties of potatoes
- Prince Edward Island, Manitoba and Alberta are Canada's leading potato growers
- Two-thirds of Canadian-grown potatoes are used for processing

Sources: westcoastseeds.com; Real Dirt on Farming 2020; hortcouncil.ca





WILL SPLITTING THE FARM INTO TWO CORPORATIONS SIMPLIFY TRANSITION?

THE FOLLOWING FICTIONAL CASE STUDY WAS CREATED BY MNP

Darlene and Ian started transition planning when they turned 50. At the time their two children, Glen and Amy, were in university and had no idea if they would come back to the farm. Ten years later, both children committed to return to the farm full time. They had both been very active in the farm as youngsters but had been encouraged to take some time away after graduation to explore work and have other experiences before making a decision about farming. Now in their late 20s, both Glen and Amy have been ramping up their involvement in the family business for the past five years. They were doing well, and with oversight from their parents had settled into a division of tasks and responsibilities. But Dad and Mom still ran the show and the kids wanted more ownership and autonomy.

Logical division of duties

Like many sibling relationships, Glen and Amy had each other's backs but they did get into some heated arguments. It was not always optimal for them to be working shoulder to shoulder. It was better if they had separate tasks and if they needed help, they could ask for it. The relationship between Amy and her Dad was different than how Glen and Ian interacted. Amy was quick to defer to Dad's opinion whereas Glen often challenged Dad and wanted to go his own way.


Amy's personality was to get up and get at it. She liked the daily challenges, solving problems and getting things done. She was also very good with employees and keeping the team on track. Glen was more analytical and tended to spend more time on budgets, marketing and planning. They had complimentary skills, but they definitely came at things from different perspectives.

Darlene and Ian were very pleased that both children were showing the work ethic, management skills and commitment to the farm, but they did worry about the long-term realities of the two kids working together. With Glen planning to marry his long-time girlfriend in the coming year, there would be new dynamics and relationships at play.

Seeking professional advice

They shared these concerns with their transition specialist and got to work updating the transition plan. Darlene and Ian planned to fully step away from the farm in five years, at age 65. They had previously incorporated the farm and put all land into the company. Any new land was also owned by the company.

The transition specialist suggested they retain control over the short term and split the company into two via a process



called a “related-party butterfly.” In simple terms, this involves divesting assets to people who are related. The result is that the assets from Darlene and Ian’s company are put into two companies that will ultimately be owned by Glen and Amy. This strategy is not a common path for farm transition, but a number of factors make it a viable option in this case. Also, both Amy and Glen are on the same timeline in returning and committing to the farm business.

Butterfly splits can be complicated, but if pulling out assets individually to separate companies is not feasible and the corporation has to be divided between family members, then a butterfly split is one way to do it.

This related-party butterfly process requires forward planning. Darlene and Ian must retain control of both companies for a period of two to three years before they can gift their common shares and control to Glen and Amy.

At some point, Mom and Dad can freeze their common shares in each company and bring Glen and Amy in as owners – each with their own separate company. Freezing the common shares creates preferred shares that Darlene and Ian can sell to Amy and Glen to fund their retirement. The balance of shares over and above their retirement needs will be gifted to the kids via their estate.

The beauty of this plan is the simplicity and flexibility it affords the next generation. Amy and Glen can continue to farm together indefinitely through a joint venture arrangement, but if they choose to split at some point in the future, the two-company structure makes it relatively straightforward.

Managing risk

When multiple siblings have shares in the same company it can be problematic because the Canada Revenue Agency (CRA) does not consider siblings as related for the purposes of such split-up transactions. An “unrelated party” butterfly carries more risk and is expensive as it often involves getting

CRA to provide advance tax rulings on the split-up transaction to ensure everything is on-side from an income tax perspective. The alternative is to pay the tax which, in this case, would be excessive.

The beauty of this plan is the simplicity and flexibility it affords the next generation.

At first, Glen and Amy were uncomfortable with the plan. They insisted they would be able to work together and continue to expand on what Darlene and Ian had worked so hard to build. But they listened to some of the cautionary stories from their transition specialist about some tough family business breakups. This helped them both start seeing it as a way to reduce the pressure on their relationship and manage any unforeseen events that might change how either of them view their commitment to the farm enterprise.

Looking even further down the road, the two-company structure makes transition planning for Glen and Amy much simpler and easier as well.

Working with an experienced specialist was key to this transition plan. A related-party butterfly split is not something Darlene and Ian would have considered. A good relationship with their transition team allowed them to engage in a more complex process that matched their unique circumstances. ■

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

MNP.ca

SHOULD WE START AN AGRI-FOOD RETAIL OR FARMERS CO-OP?

BY TREVOR BACQUE

Farmers often think about shifting their farm business into something more, but there are many considerations. We asked experts in the co-op, agri-food retail and coaching sectors for insight into what you should contemplate before jumping in.



Rod Bradshaw

Co-founder and member of the Innisfail Growers co-operative Innisfail, Alta.

Philosophy

There must be commonality among members of a co-op or it won't work. Any co-op will likely bring a diverse group of people together. There are many factors that may influence decisions and if the goals are not clear and set out from day one, growers will face an uphill battle the entire way. It doesn't matter what you're selling – if everyone has a different mindset it will be difficult to satisfy every voice around the table. It will exhaust you, and precious time and energy will be diverted.

Commitment

Success doesn't magically occur overnight. It takes real time, effort, energy and sacrifice. The time factor can't be understated. Whether in-person or eCommerce, it isn't for the faint of heart. Not all co-ops can pay management right out of the gate, either, given that it is still in its infancy. Members will need to step up in operations and management until the entity can get to stage where it can hire employees. Mature behaviour such as this demonstrates a serious commitment to other members.

Business goals

A co-op is busy, so it's important to constantly re-evaluate goals and priorities set out by the members. If the goal is to sell vegetables, meat or some other value-added product, be sure to check that the co-op still is striving for those goals. It's too easy to become sidetracked by ostensibly interesting projects here and there. Just because you can diversify does not mean you should. Keep in your lane, do a good job of a few things, and be OK with not being everything to everybody. You are a co-op, not a big-box retailer.



**James Mitchell**

*Consultant and mediator at
Conversations Consulting
Saskatoon, Sask.*

**Bernia Wheaton**

*Co-owner and market manager of
Your Farm Market retail
Woodstock, Ont.*

Reflection

How has the current farm arrangement been working for me, my family and those we need to run our farm business? Sometimes our current setup is better than we may realize. Reflection can help farmers identify whether they need to expand into retail or a co-operative. At times, people want to take ideas and morph them into something greater, but the desired outcomes become elusive. Consider areas that haven't gone well with the current arrangement, for owners, partners or employees, and how these factors may be improved, or made worse, through expansion.

Foresight

Trying to envision the future for ourselves and our families, if we move in one of these directions, may help predict whether the anticipated gains are worth the extra work, costs and complexities. These learnings may also help us make choices and build plans that better align our aspirations with our needs. No one can see into the future with 100 per cent clairvoyance, but trying to think of our families first may offer clues as to how we want the future to look.

Relationships

In either type of expansion, farmers will work with people they already know. Relational unknowns may lie ahead, especially if current roles change. It's critical to anticipate these new dynamics and weigh the amount of economy and influence they'll share with these people and still feel comfortable. Business owners often say Yes to this question only to have the answer shift months or years later to a definite No. If expansion is the goal, farmers must guarantee the new venture will include people who support the objective. Business is important, but nothing will replace a relationship.

Location

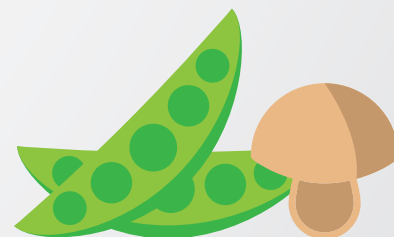
To begin a retail, you have three options to reach customers: on-farm, off-site in a populated area, or online through eCommerce. If there's a solid local food movement in the region, it might be a viable option to set up an on-farm retail. This is also a great way to get started in a limited capacity without making a major investment. The drawbacks of an on-farm retail would be seasonal traffic, potentially low proximity to an urban centre and the challenges reaching your target market and driving brand awareness.

Supply

Many markets focus on one or two key products. It may be a specialization in lamb, artisanal cheese, or perhaps pumpkins. Your speciality is what makes the business unique. To successfully meet customer demand, it's important to have a plan that meets current retail demand while planning for growth. Specialty products are often a great place to start, but as the business grows and traffic increases, customers may demand a wider range of products. Source out a high-quality, consistent supply of additional products to enhance the market experience and extend your retail season.

Niche

It may be a unique product, an outstanding customer service experience, or the widest range of varieties in your product line, but in today's retail environment, there must be a hook. If your niche will be animals, understand the consumption patterns and demand from your geographical buying area. If it's a crop, gain a feel for what your audience prefers. Don't try to edge out an established retail that focuses on a couple of products, rather, diversify into something similar yet different enough that your business stands out. ■



INTEGRATING DATA TO DRIVE PROFITABILITY

BY PETER GREDIG

With more avenues for data generation on the horizon, finding a way to pull it all together and derive value from it is more important than ever. GPS technology has been the driving force for data generation in field crops, but with the internet of things, robotics and connected sensors, all sectors of agriculture are challenged to find ways to integrate and optimize all the data available to them.

Farmers have been collecting data in a serious way since the mid-'90s when yield monitors first appeared and began collecting yield and grain moisture data every two seconds as the combine moved across the field. Today, farmers are able to collect data from many sources including planters and seeders, sprayers, plant health imagery from satellites and drones, weather data from service providers and connected weather stations, connected soil and crop canopy sensors, equipment performance data, and more.

Making data-driven decisions

The dream solution would be software or platforms that allow you to dump all available data into a system that will churn it all into solutions and better management decisions.

Jordan Wallace is the owner of GPS Ontario and has been involved with GPS hardware and data management software for over 20 years. "For grain growers the goal has always been to get to the point where we are making data-driven management decisions," he says. "The holy grail of data management is to track all cost of production elements across the entire operation, create management zones, and use variable-rate

technology wherever possible and profitable." In many cases, Wallace sees data being loaded into platforms that aren't considering the cost of production and financial analysis.

"There is software and services that make it very easy to import data from equipment and other sources, but the financial aspect is missing," he says. Wallace adds that there are also options that allow for bringing in crop production costs and profitability calculations. "But they're more complex and require more effort from the farmer to keep updating the numbers and being diligent to make edits if plans change through the growing season. It's great to have all the data in one place, but what decisions are enabled by the data, and is it driven by profitability?"

Wallace sees potential for agronomic and financial data to go beyond simple treatments to where producers can make more impactful changes to their overall production practices. "We made a switch to strip tillage on our own farm five years ago because we had gathered all the data to show it would be a more profitable alternative."

"Digital data does not replace human knowledge and expertise, it complements your management skills."



Quality is key

Leanne Freitag is a digital integration specialist with Bayer Crop Science based in Ontario. Her job is to help farmers make use of their data. “The first thing I would say is don’t let equipment be a limiting factor if you are trying to pull all your data into one platform. There are solutions to make equipment compatible and bring your data together even if you are using different brands or the equipment is more than a few years old.”

Freitag says that getting value out of data integration is less about pulling reams of data from a large number of sources, it’s more about being diligent that the data you are generating and importing into your system is of good quality and means something to you. For some producers, it means assessing yield at the end of the season to make hybrid and variety decisions for next year. They can also analyze yield results to see what management practices worked or didn’t work so they can fine-tune things for next year. Others may want to look at layering more data and incorporating variable planting rates and fertility.

“Farming is a team sport and integrated data platforms allow everyone involved to be able to see what’s happening in one field or all fields. Having all the field information in one spot makes it easy to create a report card at the end of the season. Digital data does not replace human knowledge and expertise, it complements your management skills. As we move to more

sensor-driven data, we will be able to address solvable problems in real time rather than just using this year’s data to make decisions for next year,” Freitag says.

Set realistic objectives

Both experts agree that blindly dumping data into an integration platform is not going to magically spit out solutions. It’s up to the user to direct what data is included and there should be defined objectives. Is the goal to simply do a better job on seed selection or placement, fertility or fungicide applications or is it about a complete overhaul of the farm’s production practices?

There are many options available to help you aggregate your data and pull more meaningful conclusions from all the numbers. Equipment companies, seed and crop protection companies, farm management companies, after-market precision ag hardware companies and independent software developers all have products in this space. Some are free, some require a subscription. Some are very simple and straightforward; some are more complex and require more effort and input from the user.

The most important first steps in the data integration process are to make sure your data is of good quality and select the platform that works best for you. ■

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- Does your project benefit the whole community? Capital expenditures for buildings or equipment that will enhance your community can qualify.
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