

MARCH 2022

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BLOOD TRIBE
RESTORES TRADITIONAL
AGRICULTURE ROOTS



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AgriSuccess

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

- engaging
- motivational
- innovative
- actionable

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BUILDING STRATEGIES TO COUNTER INFLATION AND INTEREST RATES

BY RICHARD KAMCHEN

Inflation and interest rates can be touchy points for farmers, especially those who lived through the 1980s.

Land prices dropped in the 1980s and in the early 1990s, driven lower by record-high interest rates, poor commodity prices and drought.

Concerns about inflation and rising interest rates returned in 2021, and although both are out of farmers' control, producers can use an understanding of these risks to mute their effects.

Strategic applications

Inflation has a direct impact on farmers' costs of production, as well as interest rates, as the Bank of Canada (BOC) will adjust its policy rate until inflation is around 2%, explains J.P. Gervais, FCC vice-president and chief economist.

What farmers can do with in-depth knowledge of inflation and interest rates is develop a strategy, one that starts with understanding their debt repayment capacity, and how higher interest rates would influence it:

- determine the net income your business generates
- calculate debt obligations
- work out how much room you have to phase in higher interest rates

"The idea is to understand what kind of risk you're exposed to and establish a financial strategy in line with your risk exposure, as well as your aversion or ability to take on some risk," Gervais says.

He believes one strategy may be to lock in interest rates to avoid paying higher rates down the road.

"When you lock in rates, usually you pay a higher interest rate, but you have this assurance that you're going to be okay from a financial standpoint paying that debt down."

Advisors can help

If computing financial ratios seems overwhelming, there's nothing that says these steps need to be taken alone. Consult your banker, accountant, farm manager and anyone else who can help run relevant economic scenarios and simulations and devise a sound strategy for your operation.

"You just need to be able to surround yourself with the right people to lean on," Gervais says. "You lean on the know-how and technical expertise, but you also lean on the market assessment of the business environment that you're in."

Be your own CEO, he advises. CEOs aren't experts in everything, but they can be the architects who put together a knowledgeable team and lead strategic direction.

"Being a CEO is to surround yourself with the expertise that you need and pick the right business relationships to get your farm to that next level." ■

ALBERTA'S BLOOD TRIBE RESTORES TRADITIONAL AGRICULTURE ROOTS

BY EMILY LEESON





In the middle of the 2021 hot and dry summer for Western Canada, Kainai Forage in Stand Off, Alta., reported a single-day harvest of 8,000 bales of premium timothy hay.

The scale of success for the newly re-branded and reconfigured business is, however, no isolated phenomenon. The joint venture between Indigena Capital, a private equity firm, and the Kainai-Blood Tribe (or Blood Tribe, a First Nation in southern Alberta) has skillfully navigated uncharted territories of both challenge and achievement since its establishment in 2019.

“It’s not going to be very hard for us to become the biggest developer of processed timothy in the world and that is our goal,” says Roy Fox, Chief of the Blood Tribe.

Anchored by 25,000 acres of irrigated land – the largest project of its kind in Canada – Kainai Forage exports premium timothy hay internationally. Now, with additional financing in place, the construction of a new processing plant and state-of-the-art hay press is nearing completion. The expansion will increase the ability of Kainai Forage to process over 125,000 metric tonnes of hay per year and keep them on pace to achieving their exporting goal of over 100,000 tonnes per year by 2024.

For the Blood Tribe, the success of the business extends far beyond the boardroom.

“Sovereignty means different things to different people, different groups, and different nations, but true sovereignty can only be accomplished by greater financial sovereignty, so this is the direction that we are going with Kainai Forage,” Chief Fox explains.

Ensuring a sustainable future for his community has always been at the core of Chief Fox’s career. Also known as Makiinima, he has been in a leadership role with the Blood Tribe for most of his adult life.

“One of the most important principles our ancestors had was that we need to provide for our own as much as we can – we have to be prepared to work and engage in partnerships with others and in that way, those endeavours will become more meaningful and we’ll be able to provide more,” he explains.

Situated south of Calgary, the Blood Tribe has the largest reserve in Canada, encompassing over 350,000 acres, and a membership of over 12,000. They were early agriculturalists, but their initial success in the industry was constricted.





“When big farming came about, they could not access the necessary capital to be engaged fully,” Chief Fox says. “But they continued – they did not give up, even though sometimes it seemed insurmountable barriers were in their way.”

In the 1980s, the tribe negotiated the irrigation project with Canada and Alberta and reached agreement in the 1990s. However, in the early days of their forage business, they continued to face challenges.

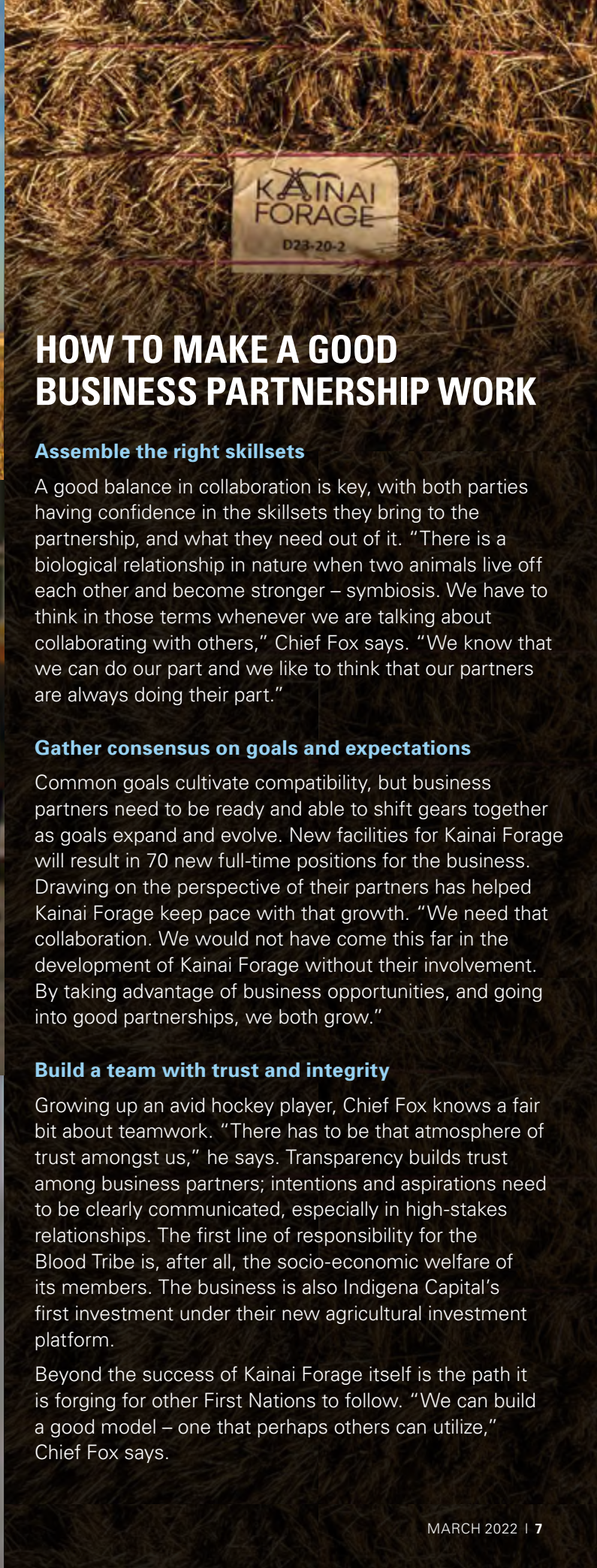
“We knew that there were crops we could develop on our lands and be successful. We saw the opportunity to really expand but we couldn’t do it ourselves.”

By partnering with Indigena Capital, which specializes in partnerships with Indigenous Nations, the Blood Tribe has been able to take that world-class opportunity and build a world-class business. In the past two years, the business has grown by 300% – despite the conditions of a global pandemic that have loomed over its infancy.

And that growth in business is more than just business for the Blood Tribe. “It’s the degree of financial sovereignty a nation has that determines the true growth and promise of a nation,” Chief Fox explains. “The Kainai tribal government does not have the same resources as other governments – they have a tax base, we don’t. We have to strive that much higher to provide different resources and services for our membership, so the most logical way of achieving that is to have long-term economic and business sustainability.”

“We have great opportunities within our land and through our resources and it is so important that we find good business partners who provide those things that we don’t have,” he says. “Private equity provides the dollars and the expertise; we provide the opportunity. We need each other.” ■





HOW TO MAKE A GOOD BUSINESS PARTNERSHIP WORK

Assemble the right skillsets

A good balance in collaboration is key, with both parties having confidence in the skillsets they bring to the partnership, and what they need out of it. "There is a biological relationship in nature when two animals live off each other and become stronger – symbiosis. We have to think in those terms whenever we are talking about collaborating with others," Chief Fox says. "We know that we can do our part and we like to think that our partners are always doing their part."

Gather consensus on goals and expectations

Common goals cultivate compatibility, but business partners need to be ready and able to shift gears together as goals expand and evolve. New facilities for Kainai Forage will result in 70 new full-time positions for the business. Drawing on the perspective of their partners has helped Kainai Forage keep pace with that growth. "We need that collaboration. We would not have come this far in the development of Kainai Forage without their involvement. By taking advantage of business opportunities, and going into good partnerships, we both grow."

Build a team with trust and integrity

Growing up an avid hockey player, Chief Fox knows a fair bit about teamwork. "There has to be that atmosphere of trust amongst us," he says. Transparency builds trust among business partners; intentions and aspirations need to be clearly communicated, especially in high-stakes relationships. The first line of responsibility for the Blood Tribe is, after all, the socio-economic welfare of its members. The business is also Indigena Capital's first investment under their new agricultural investment platform.

Beyond the success of Kainai Forage itself is the path it is forging for other First Nations to follow. "We can build a good model – one that perhaps others can utilize," Chief Fox says.





WHAT DOES IT REALLY COST TO LIVE ON THE FARM?

BY MATT MCINTOSH

It's hard to fix a problem when the problem itself is unknown. When it comes to finances, not knowing where your money is going makes planning difficult.

Living and working in the same place can make this even more challenging. On the farm, separating true business expenses from personal costs is critical to financial preparedness – whether in the transition process or day-to-day business management.

How much does it cost to live?

“The biggest factor is so many things are blended. Sometimes it skews our idea of the cost of living,” says Audree Morin, an FCC business advisor based in Guelph, Ont.

A dairy farmer herself, Morin lists a variety of expenses that commonly get confused between personal and business costs, including fuel, utilities, vehicle payments, and even seemingly straightforward expenses like rodent control. Putting the right expense in the right category can surprise farm families when they see just how costly it is to live on and maintain a farm property, or alternatively, how much it would cost to live away from the farm.

The consequence of not knowing these things is, for example, being unsure how much you need to retire. For an incoming

generation, it becomes challenging to accurately determine how much income the farm needs to generate to support the family, and potentially multiple families, plus how much off-farm income may be required.

It's also harder to know where cuts can be made in tough years, or if the right approach is being taken with regards to taxes. Blurring the line between personal and farm expenses can result in surprises at year-end. Even misunderstanding how to move cash within the business – say, by paying one parent via corporate dividends in a way that compromises the family's ability to access certain childcare benefits – can add to the burden.

“If you have this conversation proactively you know exactly what you are in for and can stay on top of income tax,” Morin says.

How to separate expenses

Thinking critically is the first step to identifying how much it costs to live on and run the farm. Doing so means seriously considering which expenses are legitimately business-related, and which are not.

Monthly payments for a new truck, for example, can sometimes lean more towards personal lifestyle preferences than business necessity. Similarly, it might be possible to fold otherwise



unrelated house renovations into farm business costs. In both cases lifestyle expenses will artificially drop, while business costs inflate.

“Gas is another expense usually buried in the farm. Some customers already keep a log of personal kilometres, or you can use an estimate for your personal vehicle to make a projection on your fuel cost,” Morin says. Regarding utilities, a percentage of existing electricity costs can be used to know the true impact on personal expenses, should the farm no longer cover the full amount.

Keeping track of expenses can be overwhelming, making it difficult to know where to begin. Morin says this is particularly true for those just beginning to proactively manage farm and personal finances, as well as those working through the succession process.

On her own farm, Morin began by using a budgeting spreadsheet acquired through their personal finance advisor to manage their personal expenses. She also encourages the use of accounting software that can help articulate expense categories.

“Having clarity on your numbers allows for more meaningful conversations with technical advisors,” she says. “It allows you to be more proactive. Any of these tools can help get you started. Always talk to your technical advisors.” ■

FCC Cost of Living Calculator

With her own experiences in mind – and with experience helping families transition generations – Morin and her colleagues Corey Henderson and Joel Bokenfohr began building a dual business and personal expense cost-of-living calculator for FCC customers.

“We were giving examples to families, but we could tell they wanted more guidance. I shared the tool I use at home and wanted to make it more succession-friendly for our customers,” Morin says.

“A separate tab lets you keep track of income from different sources. It can be used by the senior generation to know what they need, and also the junior generation for evaluating what is needed to support them as the farming family.” She adds data from the latest Statistics Canada agriculture census was employed to develop expense categories.

“You can enter data on an annual basis or monthly, whichever is easier. It helps with loans too, while giving you a good understanding of how much you need to live.”

Information on FCC’s cost of living calculator, and how to use the tool, is available in the Resources section at fcc.ca/Transition or by scanning the QR code below. As with any accounting system, the calculator was built using common categories and statistical averages. Always be mindful of the unique characteristics of your individual business.



THREE WAYS FARM MANAGEMENT SOFTWARE OPTIMIZES PROFITABILITY

BY REBECCA HANNAM

No matter the commodity you produce, there is never a shortage of activity on the farm. Simultaneously managing tasks and employees, making day-to-day decisions and preparing for what's next can become chaotic and overwhelming for any farm business owner.

Enter business management software. More and more farmers are using it to help them stay on top of their game and ultimately, it's boosting their bottom lines.

What it is

In agriculture, software can be used to manage crop plans, monitor crop progress and track field activities. Or you could use it to track livestock inventory, manage feeding and grazing plans, and record sales. Financial management software automates record keeping, tax returns and payroll, generates valuable reports and supports activities like budgeting and benchmarking.

Although technology is always advancing, using management software is not about buying the newest phone and the latest apps. In fact, it can start by entering data into Microsoft Excel instead of writing in the ledger book or transitioning from spreadsheets to accounting software such as FCC AgExpert Accounting.

Mobility matters

Almost all management software can be used at a desktop computer or on smartphones and tablets. The functionality provided via browser-based software or a mobile app is an enormous benefit to farm managers, allowing them to record data while in the barn or access financials without a trip to the office. No more transferring info from notebook to computer – mobile devices mean software tools are available when and where you want them.

Why it matters

If you're asking yourself why using farm management software makes sense, consider these three benefits:

Improved organization

Many management programs provide a holistic view of all farm activities. It's a one-stop shop to easily track day-to-day tasks and record financial transactions, and there is no chance of digitally recorded notes dropping out of your pocket.

Having the opportunity to easily review previous activities and business decisions will help you plan every season more efficiently.

Better data

Access to information is vital to a successful farm business, but simply having more information isn't always helpful. Software improves the quality of your information by lowering human error and flagging potential mistakes in data entry.

It also helps you gain the type of valuable insights that are tough to see in paper form, like generating forecasts for next season or identifying your least profitable venture.

Quick access to accurate, current figures as well as year-over-year data allows you to make more informed production and operational decisions and provide accurate numbers for transition planning.

Increased productivity

At the end of the day, management software makes daily and seasonal routines faster and simpler. Working smarter allows more time to analyze and improve the efficiency and profitability of your operation and be alert to new opportunities you may have otherwise missed. ■

MAKE THE MOST OF YOUR ACCOUNTANT

BY MATT MCINTOSH

A do-it-yourself mentality can be good for a lot of things. When it comes to financial planning, though, it's likely not the best approach.

Dependable accountants are the key to planning success, according to Dick Wittman, a farmer and veteran farm finance expert based in the United States. A good advisor can help business owners prepare for challenges and opportunities through an analytical approach to farm finances.

Choose the right advisor

The first step is finding the right advisor. Some accountants, Wittman says, prefer tax planning while others specialize in more general business financial analysis. Such individuals can help assess a wide variety of characteristics – deferred tax expenses, costs compared to market value of assets, cash and accrual-based profitability, and other foundational assessments – through financial statements.

The more thorough your statement, the more well-informed you'll be as a business owner. Rather than basing a capital asset decision on affordability alone (whether to buy or lease a piece of equipment, for example), advisors can highlight which option makes the most sense for your wider business.

"There's a tendency to do a knee-jerk reaction and not to be analytical," Wittman says. "Sometimes farmers are not asking about alternatives because they don't know what questions to ask."

Choose a statement framework

Currently there is no standard Canadian financial statement format. Instead, Wittman says, lenders and financial management companies take their own approach, though metrics such as working capital, liquidity ratio, debt-to-net worth ratio, and profitability are common to all good statement formats. The methodologies used to make calculations, however, vary by company and organization.

The solution is to use financial worksheets consistently. In practice, that means compiling similar information over time, and comparing that information to generate an accurate financial picture. A trusted accountant can help review worksheet data to ensure the information is sound.

Turn data into decisions

"The challenge is the interpretation of the data. It's really valuable to have a good analyst . . . most farms don't rely on accountants to provide meaningful financial reports."

Whatever the form, Wittman reiterates financial statements are not just tools for acquiring loans. Financial information has multiple uses – including identifying if a farm is profitable, or how succession planning could proceed – and is primarily valuable for the business operator. Investments in good advisors are critical to realizing that value.

"It does work. It's doable. It requires an educational foundation and a good support team." ■

LIVING AND FARMING AFTER LOSS

BY JANEL DELAGE, AS TOLD TO MYRNA STARK LEADER

With all its rewards and risks, Janel Delage loves farming. It's why the vice-president of Delage Farms Limited, a 30,000-acre Saskatchewan grain operation, continues farming even after losing her husband. Janel met the love of her life at the University of Saskatchewan College of Agriculture. After both had off-farm ag careers, they returned to his family's grain operation. They were acquiring land, had a son and were loving the life they'd built, farming side-by-side. Then, in 2019, Marc unexpectedly became ill and passed away. Their planned future vanished. Janel's grieving and healing is a journey but she's feeling stronger now.

The most important thing is my support group

I'm very self-sufficient so I've had to learn to lean on people and ask for what I need. Unconditional support from my parents allows me to focus on the farm, looking after my son when needed or Dad's moral support and guidance. My father-in-law is full of wisdom with a steady approach to the business of farming. He can step back and look at things analytically when my emotions get in the way of making good decisions. My mother-in-law puts others' best interests first, making sure they are fed, housed and feel loved.

My closest friends knew Marc and I, so they know what I'm going through. They're supportive and look after me. I love them completely, and they love me back.

I have an ag network I call on regularly. We talk candidly about mistakes and share future plans. They support me through farm decisions, but will also say 'Janel, come on, it's not that bad. Maybe you made a mistake, but what did you learn from it?'

The other special group is our team. Some days I still get sad and even though many of our employees never met Marc, they take pride in their work and put the best interests of the farm first. They have my back in a way that's pretty special.

I talk more about my feelings

Trust has always been foundational to my relationships, but I talk more about it now.

I don't have to know everything

You are constantly adapting in agriculture, but it feels like there's more now. I carve out time to learn new things but also leave certain details to experts like our immigration specialist or accountant. They help us understand implications of things like



tax changes, giving me time to think bigger-picture and make the right decisions around things like marketing, risk-management or labour shortages.

I listen more, sometimes– I freaked out this summer when the crop was drying out. Those who support me said ‘Get off the farm and stop worrying.’ I didn’t listen. I should have. Sometimes it’s best to step back, even when it feels like the last thing I should do.

I can do anything

When Marc passed, realtors showed up at the farm asking about selling. It angered me. I had to reassure my team we weren’t selling and they still had jobs. Worse, it felt like realtors underestimated me. It was a ‘Just watch me’ moment. It’s not the only reason I’m farming but it got me worked up. I decided I’m not only going to do this, but I’ll be successful.

I can prepare for some things and must accept the rest

Sometimes farming is especially hard, like this year’s roller coaster [2021]. Spring rain meant everything looked fantastic. Then it got dry and grim. A bit of rain later helped and when we started combining it wasn’t so bad. Then, August 31, we had hail – 100% loss on some fields. Because of our planning, financially we’re fine – we’d bought more insurance when

grain prices were high – but the joy is in seeing our bins full. That didn’t happen this year and that’s hard.

Have a will

Time spent drafting our wills made this awful situation easier. A will is for those around you. I can’t begin to imagine how things would have been without planning for something we never thought would happen.

Change is constant

Every time we face adversity and get through it, we gain strength. Life continually evolves. How you feel, who you are one day isn’t the same as the next. It’s easy to think things will always be one way. It’s not the case – but that’s positive. It’s how I get through every day, by making the most of them.

People sometimes ask why I’m still on the farm. The attachment to this place is so strong. I love farming. It’s beautiful to plant seed, watch it grow and then see and feel the result of decisions made all year when I’m combining.

It’s also such a powerful feeling of awe that this land has been entrusted to me to care for, not just for us, or for our son, but for the future. I’m so fortunate . . . and I still wish Marc was here to share this together. ■

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FARMERS STILL FIND REASONS TO SHARE EQUIPMENT

BY TREVOR BACQUE

Farming is as much an individual career as it is communal. From the tight-knit communities formed through agriculture and rural living to family-like relations often shared between neighbours, farming is just different. On the other hand, one typically individualized component of 21st century farming is equipment and many Canadian farmers own their equipment by themselves. However, with sky-high iron prices, many opt to share.

At Courtright, Ont., Julie Maw and her husband Kyle share grain buggies with friends and neighbours going back more than a decade. With an old livestock barn on their property sitting empty, they thought there was a way to repurpose it. At that same time, a neighbour needed a place to store a pair of grain buggies over winter. A quick solution was born: the Maws store the grain buggies and, as payment, use them at harvest time at no charge.

“One of us can start sooner than the other,” she says. “This works for us and it benefits both parties.”

Julie and Kyle maintain the buggies. As she explains, it’s a small price to pay for not having to make outright purchases on expensive machinery.

“Equipment has a hefty price tag and that’s not changing anytime soon,” she says. “We might not have the cash flow to put out at that time. If a buggy can patch us through for a couple years . . . it’s an advantage for a young farmer starting out.”

Julie encourages farmers to make communication the number one goal when deciding to share equipment and make certain everyone’s expectations are in sync.

“Make sure everyone has a clear understanding up front of what’s expected, when one plans to use it and how the ownership will work.”

Thinking about sharing? Consider a formal agreement

While communication is important, having a formal agreement in place can help ensure expectations are clear, understood and agreed upon. A formal document can mitigate any disagreements or misunderstandings. After all, equipment sharing is a business transaction like any other.

One way to set up an agreement is to base equipment shares on land shares and design a living document that provides legal direction should land-based percentages change. The share of equipment may differ from person to person and may also differ over time. Equipment maintenance also comes into play, so no one person is footing the bill or making maintenance decisions exclusively.

This type of arrangement provides solid direction going forward. Search “**equipment sharing**” at fcc.ca and read about how equipment sharing can go awry in a joint venture without formal agreements in place. ■

PREPARING FOR YOUR NEXT LOAN

Whether you are borrowing for the first time ever or the first time in a long time, there are three things that you will need for your meeting with your lender:

- Tax returns, financial statements and other business information
- Down payment or assets for security
- Loan length, break-even interest rate and amortization period

For more business essentials, visit
fcc.ca/LoanTips

Source: fcc.ca

APPROVED

FROM DREAMING TO DOING

Sound life advice that can help young farmers be successful even when times are tough:

- Live below your means and manage costs
- Know your break even
- Diversify your income
- Be realistic about what you can achieve, or you risk burnout.

Source: agriculture.com

Get off to a good start with practical tips from our Money and Finance Basics guide. Scan the code or visit **fcc.ca/MoneyFinanceGuide**.



BUY**RENT**

Rent or buy?

"My advice to farmers in these situations is to never overextend yourself and limit the successes or future plans for your operation by tying up capital or cash flow. Make your decision with a clear view of your business."

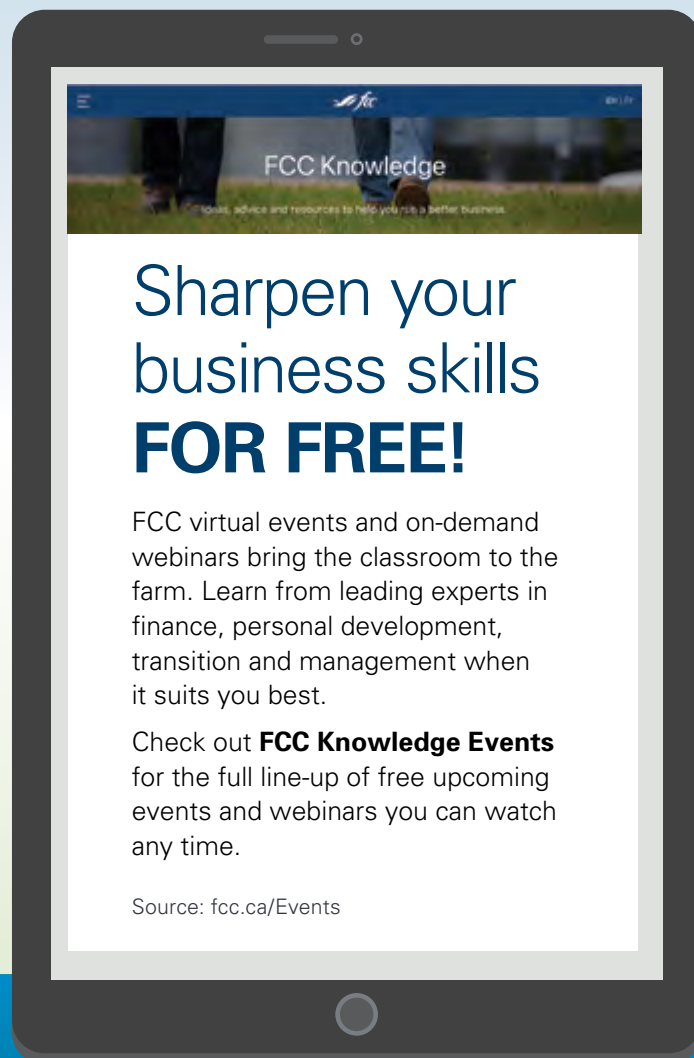
Craig Klemmer, Manager, Economics, FCC

When renting makes sense

- Young or new farmers with limited finances
- Farmers needing to expand quickly

Tip: Consider a long-term rental agreement to offer some stability.

Source: OntarioGrainFarmer.ca



WHO ARE CANADA'S INDIGENOUS FARMERS?

Did you know?

- the number of Indigenous farmers in Canada rose by **more than 50%** between 1996 and 2016
- **80%** of Indigenous farmers identify as **Métis**
- Indigenous farmers are **more likely to be female**, compared to non-Indigenous farmers

Source: www.RealDirtOnFarming.ca



WHEN TRANSITION PLANS FAIL: THE CASE FOR REGULAR REVIEWS

THE FOLLOWING FICTIONAL CASE STUDY WAS CREATED BY BDO

Ingrid and Hans prided themselves on being proactive on the transition plan they had in place for their operation. As they neared retirement, they were looking forward to executing the plan and moving on to the next phase of their lives.

More than 15 years ago they had decided to roll all assets, including farmland, into a corporation. The primary motivation to incorporate the operation was to manage their annual tax liability, but they also decided to take advantage of the one-time capital gains exemption to increase the value of the land transferred into the company and to shift as much debt as possible to the corporation.

No plan can fully account for unforeseen changes, especially over 10 or 15 years. For example, there was no way Ingrid and Hans could know that the capital gains allowance would increase later, and that land values would skyrocket to where they are today.

The plan was that when they were ready to retire, they'd split the company and the assets between their two children, Andreas and Thomas, who were now in their late 40s. Andreas had come home after university to farm with Ingrid and Hans. Thomas had never expressed an interest in farming and had moved to the city after he married. The family had talked through the plan, which would

see Thomas receive one of the larger parcels of land from the corporation and Andreas would get the rest of the company.

To take the plan a step further, Ingrid and Hans had taken out a life insurance policy worth \$500,000 to cover the cost of removing the farmland that Thomas would receive from the company. At the time, everyone felt this was a fair arrangement. Andreas had invested close to 30 years in the farm and was fully committed to the enterprise. Thomas was not involved and only came home to visit once or twice a year. Ingrid and Hans felt good that it was all out in the open and above board.

Sitting down with their accountant, Ingrid and Hans learned that they could follow through with the original plan and split the company, but there would be costs and hoops to jump through. As the accountant explained, they'd benefited from the decision to roll the land into the corporation when that decision was made, but they would now face the costs of that strategy.

The challenges delayed the execution of the plan – no one involved felt any urgency to address the issues and move forward and while they were discussing next steps, tragedy struck the family. Ingrid and Hans were involved in a car accident on slippery winter road conditions, and both passed away.



The brothers pulled together to get through the shock and grief of the loss. When Andreas eventually brought up the transition plan and the need to move forward with it, Thomas commented that he was so relieved that their mom and dad had put the plan in place. But they soon realized there were real problems to address.

The life insurance policy mom and dad had taken out to cover the cost of removing the property that was to go to Thomas was for \$500,000, which was more than reasonable when they put the plan in place. However, the property was now worth at least \$2 million. There would be major tax implications for the estate if they followed through as planned.

Both brothers initially agreed it made no sense to trigger a large tax bill to extract the farm promised to Thomas. And while Thomas was agreeable to accepting cash instead of the land as his share of the family wealth, he did believe his parents intended for him to receive an inheritance equal to the fair market value of the farm he had been promised. Andreas believed the \$500,000 of life insurance payable to the company was intended to be extent of value that his parents wished for Thomas to receive. They faced a difference in opinion that amounted to \$1.5 million. It would test their relationship.

Unfortunately, the wording in Hans and Ingrid's wills left the brothers owning the company together without a clear plan of how to untangle the mess. As the brothers learned from their accountants, it's often problematic to create a transition plan whereby siblings end up owning assets together. It's particularly a problem if they co-own operational assets where one sibling farms and one doesn't.

The lesson in all of this is to think of a transition plan as one that must evolve to address shifting realities. Taxes and laws change. Valuations change. And people change. Ingrid and Hans did so many things right based on where they were at 15 years ago, but not revisiting the plan in the interim negated their good will and intentions. ■

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WHY ARE ADVISORS IMPORTANT FOR MY

BY TREVOR BACQUE

As today's modern farms become increasingly complex, logical division of responsibilities becomes a major consideration when managing equipment, production, finances, marketing, etc. This is where third-party advisor can help in a big way.

So, why are advisors important to your farm? Three key industry players share their reasons.



Jill Harvie — Harvie Ranch co-owner/operator

As a full-time rancher, I'm primarily focused on the well-being of my animals on a day-to-day basis. However, between my husband, myself and our staff, it's always busy. It's why we enlisted a veterinary services company in a neighbouring town more than 15 years ago to help us maximize herd health.

By paying a flat per-head fee, we have the peace of mind that our vet consultancy and our integrated data management platform will capture every vital detail we need. Whether it's 4 a.m. or 4 p.m., we have a 24-7 agreement with our veterinary team. The peace of mind and security this affords us can't be overstated, especially during important times such as replacement female selection or calving.

One of the best qualities about our advisors is how they leverage their expertise beyond what we may know. Our veterinarian isn't stuck in neutral. He routinely takes new courses and cutting-edge training, and transfers that knowledge directly to us to drive productivity and herd health. Not only that, our advisor is also well-versed in the data management software we use. This helps if they need to review, analyze or interpret data. With everyone in sync about every aspect of the ranch, it's a win-win. This helps our ranch in every measurable way, guaranteeing we are being as efficient as we can be throughout the year.

The beauty of our veterinary advisory team is how intricately they know our animals, their history, our operational practices and all other pertinent data going back more than 15 years.

FARM BUSINESS?



Corey Henderson – FCC business advisor, transition

Blind spots exist in every industry across the country, including agriculture. To receive a true, unbiased understanding of those risks and liabilities, it helps to enlist a trusted third-party advisor.

When we discuss money matters, it's important to remember that unless you also double as an accountant or financial planner, outside viewpoints can be helpful. For one, they come with no emotion, so the response is both genuine and unbiased to give you the best solution, not the one you like the most.

Income tax laws are not for the faint of heart and they change as often as the weather. Because it would be nearly impossible to run a farm and keep up with all tax-related changes, it's easy to miss a step or not realize a rule changed. If steps are missed or neglected, it may invalidate a multi-year strategy.

You are the expert on your farm business, so lean on your strengths. Let someone else who knows tax, law – or any other area you require assistance in – help you. They live that every day the same way you live production.

Many of us believe because we have a clear plan down on paper, it's rock solid. How well will that hold up in a court of law? You never want to be in a position where you work your entire career limiting tax, then end up backed into a corner with no options because a third party was not brought in.



Nathan Janzen – FCC senior relationship manager

The best part about farming is perspective. We often share it with our family, friends and neighbours. Ultimately, there is room for the perspective of a third party as well, one who may help you view transactions, issues or long-term plans with fresh eyes.

Many people are concerned with affordability when they have prospective land to purchase, but this can't be the only factor. Does it fit into your long-term plans? What will this purchase do to your borrowing power? What is fair market value? With a third party, there is a chance to look into the nuances.

To purchase land you pay \$60 an acre cash rent on seems great in principle, but once you factor in total borrowing, interest and principal, the number could be upwards of \$160 an acre. Talk with an advisor and find out what loan structure options are available, such as laddering and hedging interest rate risks.

Most farmer operators seek third party advice for financing requests, and obviously that is of critical importance, but if those same people get more details – future plans, an upcoming farm transition or business diversification – your success can be accelerated. Don't settle for just yes or no; make sure you understand the decision.

Third-party advisors want the same things for your farm that you do: profitability, long-term sustainability and recognition that you can go far by yourself, but even further when you work with your advisors. ■

Got a question you'd like answered? Email agrisuccess@fcc-fac.ca

GOOD DATA SPEEDS UP AI DEVELOPMENT

BY PETER GREDIG



If the term artificial intelligence (AI) conjures up an image of a human-like robot competing with real people on the game show Jeopardy, well, that's definitely a possibility. But AI is already being used behind the scenes in many day-to-day applications.

It's being touted as technology that will impact all of our lives and disrupt every business sector. Data-driven intelligence is probably a more accurate description, as this technology is all about interpreting the huge reams of data we can generate and store online. The intelligence part comes from formulas or algorithms that process the data to arrive at a conclusion – and it happens almost instantaneously.

There are too many examples to list, but here are a few very common and powerful uses for AI in our everyday lives.

Navigation

Apps like Google Maps and Waze use millions of data points to make an optimum route recommendation for your trip. They take into account the results of previous trips, the time of day, road construction, and any other variables that might impact how long it takes to get from Point A to Point B. We've all had the experience where the app is telling us to go a different route than we would normally take – sometimes it's hard to trust the recommendation! The data is applying artificial intelligence. In other words, the app may know something we don't about our normal route.

Health care

A good doctor draws on what they learned in med school and their experience on the job to help diagnose and treat patients. But using AI takes into account thousands of patient profiles with similar symptoms, the treatments used and the final outcomes. Cancer diagnosis and treatment selection is becoming a high-profile use for AI platforms. AI is also helping medical researchers develop and assess new treatments much faster by accessing large data sets from current and past experiments.

Music, social media and entertainment

If you use apps like Spotify for music or Netflix for TV viewing, your selections generate a profile and data points that are run through the content algorithms. You will start to receive prompts from the apps suggesting music or movies that you might like, based on your previous choices and data from other users that supports the recommendation. Social media platforms like YouTube and Facebook do the same thing. Even the ads you see online are based on how an AI algorithm interprets your internet use patterns.

Agriculture has the data

Experts predict AI will have an enormous impact across all sectors within agriculture and it's because of our ability to gather data. It started with yield monitors, but it goes well beyond that now. Farm operators of all stripes can access technologies that allow them to collect the data required to fuel AI algorithms. The internet of things comes into play here. Connected sensors in fields, equipment, barns, greenhouses, etc., generate data. The potential for this data, gathered and connected to the internet in real time, enables management decisions immediately. This represents a major step forward from the days of collecting data now to influence decisions in the future.

There are numerous examples of farm equipment already taking advantage of AI. Robotic weeders differentiate between the crop and unwanted weeds because of the database of weed images that has been loaded into the algorithm guiding the tool. It may take thousands of images to account for all growth stages of a specific weed species in different lighting and positions, but as the data accumulates the algorithm gets stronger and the performance improves steadily. Equipment like combines and seeders that require precise settings can use AI to adjust the settings automatically and on the fly, ensuring optimal performance and efficiency.

We all know how important weather is to the eventual outcome for crop producers. Using field-specific weather data can allow AI software to make more informed decisions about crop protection treatments. The algorithm considers all the factors that allow a pest or disease to either flourish or be a non-factor for the crop, eliminating unnecessary applications and improving the timing if control measures are required.

Livestock monitoring

Building on the power of real time data, livestock producers who monitor their herds via connected devices (think FitBit for critters) can use algorithms that detect or even prevent disease problems. Robotic milkers led the way in gathering detailed data generation for individual animals, enabling farmers to monitor feed intake, milk production and other health information. As other sectors find ways to gather this data, farmers can identify an animal generating data suggesting it is getting sick so it can be isolated and treated before spreading the problem to the entire herd.

The power of AI is based on plenty of high-quality data and the accuracy of the algorithm. Going forward, this should motivate farmers to ensure the data they collect is accurate and meaningful. This helps the algorithms get better, faster. ■

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