

JUNE 2022

AgriSuccess

FRUIT SODA LINE REFRESHES B.C. ORCHARD



FARMLAND VALUES FAVOURABLE DESPITE CHALLENGES

Canada's farmland values climbed in 2021 despite impacts from pandemic supply chain disruptions and adverse weather in various parts of the country. The FCC Farmland Values Report released March 14 showed an 8.3 per cent national average increase compared to 5.4 per cent in 2020.

The jump is "a testament to the resilience and business confidence of farm operators who are largely driving this strong Canadian farmland market," says J.P. Gervais, FCC's chief economist.

Ontario and B.C. see biggest gains

The largest increases were recorded in Ontario and British Columbia at 22.2 and 18.1 per cent, respectively, followed by Prince Edward Island (15.2 per cent), Nova Scotia (12.3 per cent) and Quebec (10 per cent).

Other provinces showed more moderate average increases, ranging from Alberta at 3.6 per cent to Manitoba at 9.9 per cent. Saskatchewan recorded an average increase of 7.4 per cent, while New Brunswick showed a 5.2 per cent average increase.

There was an insufficient number of publicly reported sales in Newfoundland and Labrador to fully assess farmland values in that province or in Yukon, Northwest Territories and Nunavut.

Economy, marketplace buoy demand

"For areas that reported significant increases, strong demand for a limited supply of land played a key role in bumping up values," Gervais says. "Sharp increases are often a result of local market conditions coupled with relatively favourable economic conditions."

Producers in many regions were buying or selling land to gain operational efficiencies and to support family farm succession plans, which contributed to a strong farmland market in Canada.

Relatively good growing conditions in Quebec, Nova Scotia and New Brunswick contributed to the farmland value increases in those provinces.

Risk management remains key

Gervais reminds producers to have and maintain a risk management plan that takes into account possible economic changes, ensuring their budgets have room to flex if commodity prices, yields or interest rates shift. They also need to exercise caution, especially in regions where the growth rate of farmland values exceeded that of farm income in recent years.

Canada's agriculture industry is still facing uncertainty since labour shortages, supply chain disruptions, geopolitical tensions, farm input inflation and incremental interest rate increases are expected this year. At the same time, FCC is forecasting that receipts of grains, oilseeds and pulses in Canada will increase in 2022, fueled by strong demand and tight global supply.

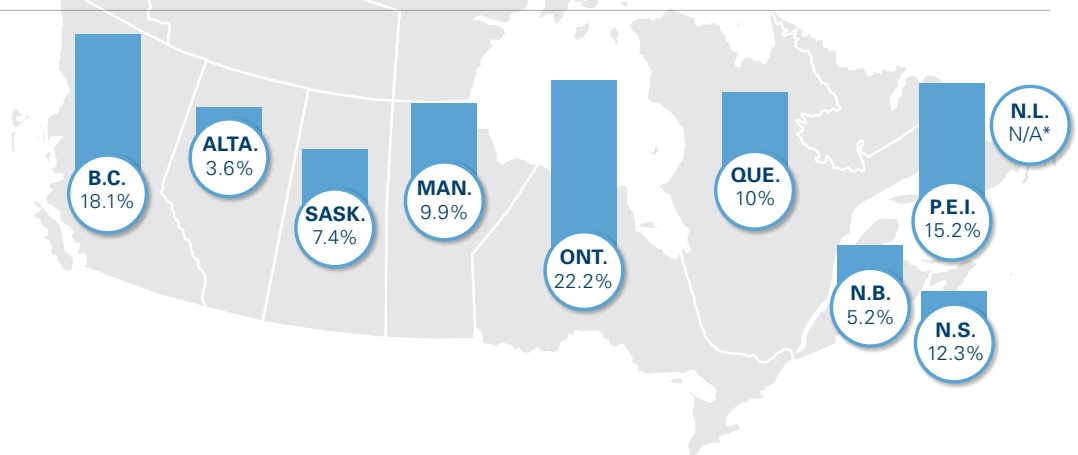
FCC provides solid insights and expertise through agriculture economic knowledge and forecasts.

For more information and insights, visit fcc.ca/Economics

Provincial comparison of farmland values

Annual % change in farmland values
January 1 to December 31, 2021

*There was an insufficient number of publicly reported transactions in 2021 to accurately assess farmland values in Newfoundland and Labrador.



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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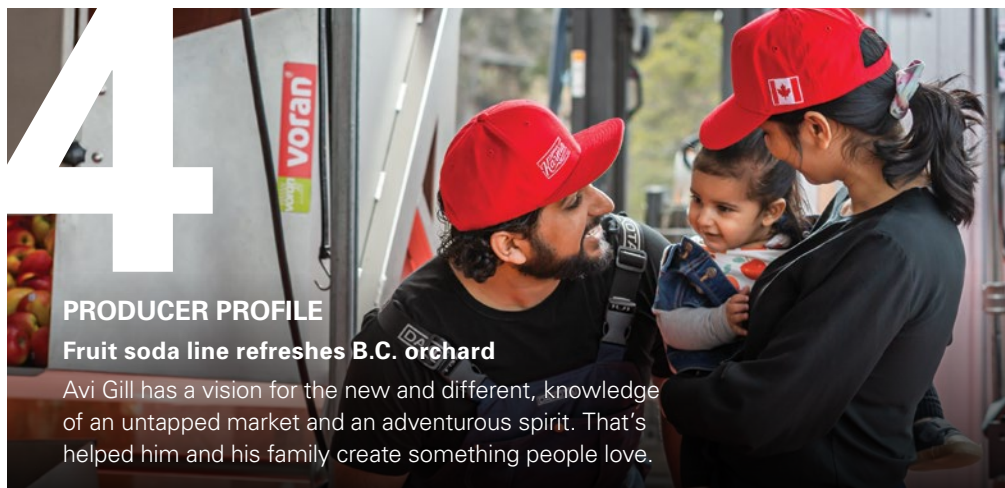
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PRIORITIZING PAYROLL PAYS OFF

BY RICHARD KAMCHEN

Many modern farm employers have made payroll a bigger priority and upped their game in how they manage it.

“It’s definitely gotten more sophisticated and more complex,” says Steve Tippe, manager of product training and support for FCC AgExpert.

When he joined AgExpert in 2008, most farmers entered labour costs as casual wages under their expenses. Very few remitted deductions or managed benefits.

Now, most farmers that have employees are remitting on a monthly basis to the Canada Revenue Agency (CRA), Tippe says.

With growing farms and the heightened need for outside personnel, payroll practices have by necessity become more prioritized and organized.

Benefits

“Payroll is a priority because with hiring personnel, the employees want to receive their pay on time, and deductions need to be remitted and accounted for so the employee can file their tax returns,” says Kathy Neufeld, the operations manager for Stark & Marsh CPA LLP in Swift Current, Sask.

One major benefit of organized payrolls is greater employee retention.

“Employees appreciate efficiencies in receiving their pay on time, and people are the resource we need to keep our organizations viable,” Neufeld says.

Adhering to best practices comes with the benefit of avoiding penalties and interest, which are high and accumulate fast, she says.

Seeking help

Mandated farm labour practices have changed over time, such as how casual employment is defined, as well as employer obligations like overtime and holiday pay, Tippe says.

According to Neufeld, your accountant’s office is the best place to start with questions, adding provincial governments’ websites can also provide compliance information.

She explains that standards for agriculture and other industries and businesses differ, making it an advantage to identify those differences as one engages in hiring practices and compensation.

Do it yourself

More farmers who handle their own payrolls are using software, such as AgExpert Accounting. With the click of a button, you can produce records of employment and year-end T4s, Tippe says.

Its built-in payroll function, designed with the agriculture industry in mind, allows employers to:

- create paycheques for an employee
- track payroll benefits
- process CRA payroll remittances
- set up custom payroll deductions

Contracting out payrolls

There are cases when it might make sense for an outside firm to take on the task of your payroll. Neufeld recommends asking yourself these questions:

- **Gauge your knowledge about payroll processing.** How much time can you devote to learning the process and commit to processing payroll?
- **Determine the complexity of your payroll.** Do you offer profit sharing or a bonus structure, insurance, benefits like rent or use of a business-owned vehicle?
- **Do you need to hire a manager to track hours?** Do they process payroll or let someone else handle it? ■

FRUIT SODA LINE REFRESHES B.C. ORCHARD

BY MYRNA STARK LEADER





Avi Gill didn't foresee the speed his new venture would take off at when he left being a pharmacist to return to his parents' farm. The idea was to add value to the apples and cherries his parents have grown for 30 years, particularly as they get older and look to step back some.

"My dad, Karma, has a reputation for growing high-quality fruit, but it's difficult to create a brand for a raw commodity. Even a 'B.C. apple' is still an apple," says the personable 33-year-old who grew up on his parents' orchard but moved to Vancouver for university.

At times, Karma also had thought of finding a value-add option, but when Avi and his wife Binny discussed moving back to the farm in 2018, they made a formal business plan in-house.

"Creating a business plan was very, very important to plan where the business was going one month from now and even five years out," Avi stresses. "We also included the current business and our current financial picture."

Avi brought the vision and science background for product development. His parents contributed their farming and business experience, and Binny's commercial banking background in agriculture completed the picture. Discussions that started with selling boxed fruit juice ended with creating a new beverage and obtaining a canning line.



Filling a marketplace gap

In less than four years, Farming Karma Fruit Company has progressed from concept to a line of products and has secured shelf space in over 1,500 B.C., Alberta and Ontario stores.

The "no sugar or preservatives added" fruit soda was designed to fill a gap between artificially flavoured sodas and pure juice. It contains less sugar and calories, something consumers want.

Knowing the importance of marketing and story, they branded it Farming Karma, honouring Avi's dad.



They borrowed a concept from the local wine industry, creating an on-farm tasting facility where customers can see farm fruit turn into the drink they're sampling. They also gave out samples and sold at Kelowna's Farmers Market, something Avi and Binny continue, to connect with customers and get face-to-face feedback. Ideas are recorded electronically to be recalled and discussed at regular family business meetings.

"Today's consumers are engaged in what they purchase and consume. Information needs to be readily available through accessible channels like social media. Giving back and being integrated into our community is an important core value of who we are. As a company, we want to make clean, healthy product and really exemplify the good principles in farming — growing, giving, sharing — good Karma," Avi explains.

Networking early pays dividends

While Avi credits a Kelowna independent grocery store owner for their first shot at grocery retail in 2019, that summer also included a tradeshow.

"I went to the CFGF [Canadian Federation of Independent Grocers] Grocery Showcase show in Vancouver. We didn't belong there at this early stage, but Dad is a big advocate for marketing and said, 'set up a booth and be yourself.' We had a really cool booth and the Kraft reps across from me were big supporters telling others to check us out, enabling me to make connections."

Save On Foods and Sobeys approached him at the show. Half a year later, Farming Karma was on shelves in both stores across B.C. In April 2021, Sobeys named the fruit soda the most innovative product of the year in Western Canada.

"Being a young entrepreneur and being genuine about my skill set attracted more help from others," Avi says. He learned the basics in each area of the business, from how manufacturing equipment works to how to create marketing content. He built the company's first website and knows when to seek professional help, like redesigning the website.

"I want to be knowledgeable enough to understand the discussion when I hire outside expertise. I'm not an expert in their fields, nor embarrassed to not know. There are so many things I didn't know how to do before starting this business."

A bright path forward built on a solid foundation

Today, Farming Karma makes cherry, pear, peach and a mixed fruit soda — along with their first, apple, which is still Avi's favourite. The company is structured as a family business, with five family shareholders. There are no other formal agreements. They run the books by product line, optimizing revenue and reducing costs in each.

Their sights are set on nationwide fruit beverage sales. Taking customer feedback, they've recently used local spirits to make a new alcohol-infused fruit soda, adding more complexity given alcohol labelling and marketing rules. Through it all, Avi continues to follow his mentors' risk-mitigation advice: grow slow and steady.

"We built strong at the foundation," Avi says. He cites the example of a number of Global Food Safety Initiative audits they've had, at Avi's request, "which get easier and easier," he says. "If we started that today, it would be a massive task. Now, we can just build off it, same for marketing and finance."

A faster canning line is on the way with eyes already on the next bigger version.

"I'm first to say I can't do what my parents did, but I really hope to see coming generations go towards branding and value-added fruit products. It's hard work building something new but definitely rewarding and fun." ■



TIPS FOR EXPANDING YOUR OWN BUSINESS

- Think value-add
- Keep your vision realistic
- Know numbers before investing
- Learn basics in every part of the business
- Leave room in the budget for overages
- Never fear saying, "I'm new" or "I don't have experience"



DRILL DOWN TO DETAILS AND BENEFIT FROM ENTERPRISE ANALYSIS

BY MATT MCINTOSH

For many farmers, enterprise analysis is all about the big picture – it involves crunching the numbers to see if the entire farm enterprise is profitable and running optimally. But the real benefit of enterprise analysis involves drilling down into each revenue stream within the operation to know which ventures are performing well and which require attention. This can be as general as assessing livestock versus cropping activities or as specific as comparing the performance of commodity soybean production to niche identity preserved soybeans.



Know key metrics to optimize inputs and efficiencies

“The metrics used to determine profitability can vary by business and depend on your needs,” says Joel Bokenfohr, Edmonton-based business advisor with FCC. Costs and returns are, of course, critical.

“It’s the old theory – you can keep adding inputs as long as you’re adding value,” he

says, adding fixed and variable expenses as well as cash flow and margins should be accounted for.

Time is another important consideration, though Bokenfohr refers to it as a “contentious category of unpaid labour.” Unaccounted-for work hides the amount of time investment required to generate each dollar of income. More rigorous tracking can highlight methods of improving time management in addition to the actual cost of production.

Bokenfohr cites two examples from his own experience working with farm businesses.

1. A multi-generation farm with many ventures – crops, livestock, feed mill, plus off-farm careers – was working through a transition process. The senior generation saw some enterprises as profitable, though time constraints made those same enterprises a less attractive prospect for other family members. As part of the transition planning process, it was decided to prioritize enterprises that accounted for the limited number of work hours available.
2. A grain grower historically hired custom operators to spray their crops. The cost of custom application was significant, so the grower wanted to start spraying personally. They also kept

an off-farm job, however. After accounting for the lost time otherwise devoted to the off-farm job, the use of a custom applicator was deemed more financially worthwhile.

Like businesses in other industries, Bokenfohr says some farms and agribusinesses actively track how much time is devoted to individual tasks, with the explicit intention of identifying and reducing inefficiencies.



Separate revenue streams for a truer picture

Using one bank account for multiple revenue streams is a common practice for farm businesses. However, it can also be a dangerous one since operating expenses become blended.

Determining the fuel cost of an enterprise, for example, requires a proportional division between the amount of fuel used compared to that used for other aspects of the farm. The volumes required to grow

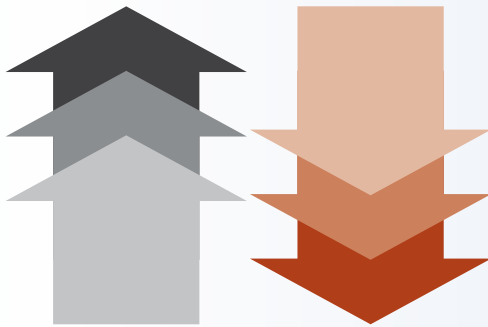
soybeans might be different than that required by a livestock business, for example.

The same goes for other inputs and machinery in general. If only 20 per cent of a tractor's operating time is used in livestock management, the maintenance, repairs, payments and other costs should not be evenly divided.

"Blending costs can build a bit of a false economy. We might be subsidizing part of the farm," Bokenfohr says. "Knowing those separate costs helps you get a true understanding."

A similar dynamic can play out in many commodities and value-added products, including farmgate meat sales and processing.

"For farms with value-added products, you often see them discounting the value of [the product] to prop up the processing end. It can also work the other way, where they look to hold their own farm prices and take a hit on the processing end. It can be hard to know which venture is draining them over time if going to one bank account."

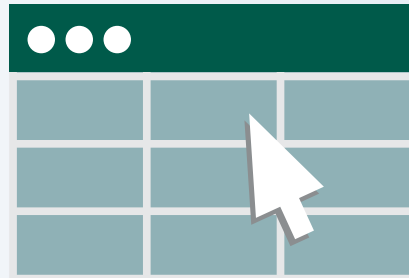


Does it support or drain other enterprises?

Good record-keeping can also highlight whether an enterprise is having negative or positive effects on other parts of the farm.

"An orchard invested in a cold storage facility because they thought it was needed for a cidery business, which was being run by the younger generation," Bokenfohr says, in reference to another experience from his career.

"Enterprise analysis showed it was bleeding out the senior generation over time. They ended up renting most of the storage space, and the cidery went back to sourcing elsewhere. They both stayed profitable."



Record all transactions between enterprises

Fundamentally, Bokenfohr reiterates business owners are trying to answer three questions – what am I producing, how am I producing it, and how much? The questions themselves are a reflection of investment, analysis and income statement.

"Start with good foundational record-keeping. Record inputs and transactions between enterprises, then you can do a deep dive and analyze things," he says, adding scenario planning – specifically, addressing hypothetical situations where costs and revenues might be different – is also very helpful for the longer term.

Enterprise analysis involves drilling down into each revenue stream to know which are performing well and which require attention.

"Those 'what ifs' that happen down the road . . . One year might be more profitable than others. Ask 'what's my long-term business plan?'"



Consider business management software and professional advisors

Helpful record-keeping resources are available through a variety of parties, including government and lending institutions such as FCC. Advisors can similarly help initiate and guide customers through the enterprise analysis process. ■

SUSTAINABILITY FOR THE PLANET AND FOR PROFITABILITY

BY EMILY LEESON

In agriculture it isn't a trade-off:
be more sustainable or be
financially viable. They can work
together, hand in hand.

It's easy for Alanna Koch to list the ways her farm merges sustainable practices with good business: "We recycle everything, changed over to LED lighting, weed scout, use soil tests, are very focused on using pesticides only when absolutely necessary, use GPS and auto-steer which reduces overlap, and always follow the 4Rs principle for fertilizer application: right source, right rate, right time and right place."

Koch, board chair for the Global Institute for Food Security, farms with her husband Gerry Hertz to produce grain, oilseed and pulse crops in Edenwold, Sask.

"Sustainability means we are doing the absolute most with the absolute least impact on the environment," Koch explains. It's also good for the balance sheet.

"We're fortunate in agriculture that it isn't a trade-off: being more sustainable or being financially viable," explains Joy Agnew, associate vice-president of applied research at Olds College in Alberta. "They can work together, hand in hand."

Under Agnew's leadership, the Olds College Smart Farm has taken part in nearly 80 different research projects aimed at advancing agricultural technologies. "Everything we do has some component of environmental sustainability," she explains.

For farmers, adopting sustainable practices has never been more relevant. Restrictions, pressure to mitigate challenges posed by climate change and consumer demand all play a part.

"We're in a compressed time frame in order to meet some of the new targets," Agnew says. "We need to figure out how to accelerate that adoption and ensure that we're adopting the right things with long-term impact."

Behaviours that build a business good for the environment

Aiming for efficiency: Farmers are familiar with making the most of things. Whether harnessing the newest technologies or conservatively using the best inputs,

they're constantly seeking efficient practices. For Koch, that means keeping a healthy crop rotation and maintaining minimum tillage. "It is efficient for nutrients, means less fertilizer use, the moisture retention is more efficient, and we need fewer inputs," she explains.

Building consumer confidence:

Many consumers want assurance that their food comes from a sustainable environment. Telling that story provides the brand image needed in today's marketplace.

"We've got to share what we do and why we do it," Koch says.

Capturing the competitive edge:

"I want continued access to the world market," Koch says. "A huge economic benefit of our sustainable operations is that we can sell our products around the world. We are a trusted source."

There's no doubt that Canadian producers are up for the challenge. "Farmers and ranchers are already extremely strong stewards of the land and the environment," Agnew says. "They have to be; their livelihoods depend on it." ■

NEW BRUNSWICK FARMER TAKES SNACK WORLD BY STORM

BY RYAN ALBRIGHT, AS TOLD TO TREVOR BACQUE

With a work ethic that never stops, a steady production line of ideas, an education in hard knocks and knowledge that the right team is more than friends and “yes” people, Ryan Albright has all the hallmarks of a successful agri-food entrepreneur. It’s helped him grow Covered Bridge Potato Chips into a national company with products in 4,500-plus retail outlets across Canada.

In an industry dominated by brands that measure annual earnings in the billions, Ryan’s been able to push past feeling small.

Navigating the nuances of the agri-food sector

It wasn’t easy. When I first started and made pitch presentations to government entities, lenders and ag departments, everyone thought I was crazy. Nobody would support me — no grants, no anything. One bank eventually came on board, but it was very tough. They talked about it being a multibillion-dollar industry and I’m simply one guy with this little idea.

You are going to experience many downers as an entrepreneur in this space. Ride the little positives to balance out all the lows you will have.

How I learned from my mistakes to “fail better”

As an entrepreneur you will make mistakes. Sometimes they’re little, sometimes they’re big. You need to learn from the big ones. If you don’t, you won’t be in business very long.

When we first started, I wanted full bags of chips so our customers felt like they were getting great value. But we didn’t account for the specific gravity of each potato, the settling of chips as packages ship on trucks or chip thickness and curl. As we couldn’t fit the desired volume into the small chip bags, we took turns manually shaking 50 bags per minute to get the chips to settle so we could seal the bags.

Our full-scale distribution move into Newfoundland was another mistake. Two-and-a-half years later we left with our tail between our legs. We didn’t take into account the distances between stores, the distance to Newfoundland itself, and we didn’t have someone there to monitor daily operations. In turn, we lost a pile of money those years.

For every bad mistake I’ve made, I take it as a learning experience. I adjust my way of thinking or how I conduct business. You must learn or you are simply not going to survive. I’ve made a lot of mistakes, but what I try and do is never make the same one twice.





Surrounding myself with the right people is key

When you're starting out with limited capital, you can't afford somebody with 30 years experience in an industry. Look for up-and-coming people who are smart, have drive and can help you.

Our company works at a lightning-fast pace and not everybody can keep up. I've had people come on board having worked at larger companies, but they just couldn't handle a pace where expectations are high and you're responsible for many things at once.

I try and surround myself with self-starters, those with drive and ambition to grow individually who never settle for mediocre. Someone who will push and push. In fact, I prefer people that will come in and challenge me and not just agree with everything I say. If I have to be the sole driver, that's as effective as paddling a canoe on one side by myself.

Innovation is a never-ending chase

It's one of our biggest focus areas, without question. Innovation is one of my favourite parts of the business. Not all new products go to market, but we're constantly developing and innovating new flavours and product lines.

I have an entire book full of ideas and different names I've trademarked, plus projects earmarked for a later date.

My team and I meet every two weeks and discuss how we can innovate on something existing or create something brand new and be the first to market. It's always exciting, but it's incredibly important to focus on making the best possible decision because there are so many ways you can go with ideas.

Agility is my biggest asset

The fact we can make decisions on the fly without holdup is a huge benefit. Lately, our lead times are slower due to supply chain issues, but we are still fast. Once we have an idea, whether a product or flavour profile, we can turn things around quickly, at least twice as fast as big brands. Larger companies must go through a lot of processes, procedures and layers of approval. At Covered Bridge, we're sitting around a table and once we agree, we're just going to do it.

How do I take care of myself?

A lot better now, for sure. In the early days I was on the road a lot, averaging 150,000 kilometres on my car every year, which often doubled as a bed. I now take vacation and a couple of weeks off per year – I never used to. I also work out and eat healthier. It's still a 60-hour work week, but I've found balance. My wife has also helped me see the importance of that.

Professionally, I engage my vice-president a lot. I'm more open with him; he's my second-in-command and can step into my role whenever needed. I can rest easier knowing he's ready to jump into action at a moment's notice.

People in similar industries also talk openly and candidly with me about things, whether it's supply chain issues, structural issues within the hierarchy of the company or anything else that needs addressing. People ask me questions, too. I'm an open book. ■



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BENEFICIAL SENSOR TECHNOLOGIES COMING SOON

BY LORRAINE STEVENSON-HALL

Any technology used on a farm should have a purpose and help create efficiencies, automate a process, validate conditions or provide useful data. Sensor technologies gather information by detecting the physical, chemical or biological properties of something and converting them into a signal that can be read and recorded.

The Olds College Smart Farm in Alberta is a 2,800-acre living lab where agricultural research and smart technologies are being tested in the field. Smart Farm is a venue for developing and testing applied research on a commercial scale, to help farm businesses make informed decisions about implementing digital, or smart, technology for themselves.

Jason Bradley, manager of strategic partnerships, highlights one project currently underway at Smart Farm. Individual cattle in a group are identified by their facial features using artificial intelligence, images and videos of the animals. If successful, this will have applications for identifying pre-symptomatic issues like lameness and respiratory problems.

In addition, “algorithms are being developed to identify different stages of calving and to notify the farmer when the cow enters each stage. This would allow the farm manager to monitor the cattle remotely and only intervene when needed. It’s a game-changer,” Bradley says.

In another application, sensor technology is being used to improve on-farm biosecurity. Adam Black, customer service coordinator at Farm Health Guardian, says the company is testing various types of sensor devices on vehicles that regularly visit farm properties. “The devices monitor movements of vehicles onto and off farm properties that have a digital

perimeter, creating a log of vehicles visiting the farm.”

This provides real-time information about visits and valuable trace-back information when disease is suspected, Black says. Criteria being tested include performance in extreme temperatures, durability, battery life and more. Testing and analysis of results will be completed this summer. A summary and recommendations will then be provided to industry stakeholders and government.

Chuck Baresich, owner of Haggerty AgRobotics in Bothwell, Ont., collaborates with the Ontario Ministry of Agriculture, Food and Rural Affairs, researchers and industry organizations to bring smart technologies to Ontario. One project will bring the Dino, a robot manufactured in France, to Ontario for testing. While the Dino weeds the crop, a sensor can simultaneously detect problem areas, such as a disease or nutrient deficiency in the crop. Using GPS, the robot marks where the problem is so it can be easily located.

Baresich says that while many of the technologies are being tested and perfected on horticulture crops, they will also have field crop applications. “Many of these are very, very close to coming to market. We want people to be excited, but we also want them to have reasonable expectations.” It’s early days and the industry needs to keep progressing, he says.

This progress is moving sensor technology closer to regular use on farm and toward improved efficiency, profitability, competitiveness and overall operational effectiveness. ■



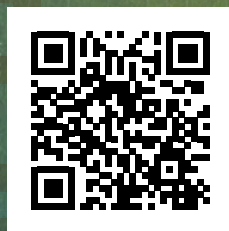
LEARNING PAYS OFF

New research shows Canada's best farmers stand out financially because they're actively looking for new opportunities to learn. This CEO-mindset gives them the edge as they:

- Connect with people and organizations focused on innovation
- Discover and adapt new technologies
- Look for ways to take farm practices to the next level

For more business essentials, scan the code or visit the Knowledge tab at fcc.ca

Source: fcc.ca



MANAGING MILLENNIALS

Millennials want more from their work than just a paycheck. How can you harness that attitude to benefit your farm's productivity?

- Provide meaningful work
- Encourage professional development and embrace mentoring
- Promote flexibility and offer leadership opportunities

Tip: Managers who reward achievements are rewarded with loyal, dedicated workers.

Source: country-guide.ca



SURVEY SAYS...

SAFETY DOESN'T ALWAYS COME FIRST ON THE FARM

According to an FCC producer survey for the Canadian Agricultural Safety Association:

- Seven of 10 producers have experienced an injury or near miss on their operation but very few access farm safety information and training. Only 10% have a written safety plan.

Tip: Use the Canada FarmSafe Plan tool to take the guesswork out of assessing and managing your farm safety risks.

Sources: farmtario.com, casa-acsa.ca



FARM MANAGEMENT ADVICE ON THE GO

With FCC's **Talking Farm and Food** podcast, you can learn from fellow producers who've been there. Hear about the management topics that matter to farm businesses – from finance and transition to strategy, leadership and HR.

Scan the QR code below or search for **Talking Farm and Food** at fcc.ca for the full library of episodes you can listen to on demand.

Source: fcc.ca



WARDING OFF A CYBER ATTACK

Farms are as vulnerable as any other business to the damage a cyber attack can do – stolen data, ransom demands, damaged reputations or lost money. To protect yourself:

- Back up data regularly
- Don't use default passwords
- Divide home and business internet
- Beef up email and systems security

Sources: realagriculture.com, bdo.ca

NAME YOUR EXECUTOR WISELY

THE FOLLOWING FICTIONAL CASE STUDY WAS CREATED BY BDO

Carl had been farming for about 40 years when he passed away. His career started when he and his young wife Eloise bought a tired old dairy operation. They worked hard to create a small but well-managed farm.

With three children arriving in quick succession, they seemed to be a very happy family, but about 15 years ago, Eloise and the kids left the farm and Carl continued on his own. He did not participate much in community activities or farmer meetings, but the story came out that Eloise wanted a divorce and the kids, now young adults, wanted nothing to do with Carl or the farm.

Carl had no family nearby and one of the only people he spoke to regularly was the milk truck driver, Steve. They were on friendly terms, but they did not socialize beyond a quick chat every day or two.

When Carl passed away suddenly, Steve was shocked to learn that Carl had named him as executor in his will. With no experience in this role, Steve really didn't know much about Carl, the status of his estate or what his wishes were for putting his affairs in order. He could have declined the role and the court would appoint an executor, but he felt compelled to see it through for Carl.

It was a disaster. It became obvious that he had not understood the magnitude of the responsibility and commitment that came with the job. The first problem was the immediate need to organize care of the livestock and cropping operations. Carl's will had not been updated since shortly after Eloise and the kids left and, as Steve learned, before Carl had incorporated his business. Record-keeping was scattered or non-existent, and Carl's accountant confirmed that his tax return filings were several years in arrears.

The lawyer who drafted the will died years ago. To make matters worse, unpaid creditors were clamouring for payment. Steve started receiving emails from Eloise and the kids' lawyers, pushing for information and stating their claim to Carl's assets

and investments, and even demanding specific items from the house. There were multiple agendas coming at Steve.

Steve learned the first step in settling the estate was to go through the probate process, having the provincial court approve the will and give Steve permission to act on behalf of the estate. Provincial courts charge a fee for probate and since Carl lived in a province with a high probate rate, Steve had to arrange to cash in some of Carl's investments to cover \$30,000 in probate fees.


It took six months for Steve to gather the necessary information for the probate application, arrange for payment of the fees and wait for the courts to approve it. In the meantime, the farm and buildings required attention but access to funds was limited. Steve was beginning to understand the grim reality of his situation.

Steve had never owned a business and was overwhelmed by the decision-making, banking, bill payments, record keeping, tax filing and handling the constant barrage of mail. Even the little things were a challenge – the keys for the loader tractor weren't located for months. The passwords Carl had for everything online, including email access, went with him to his grave. Carl also had a collection of antique guns and a house jammed to the rafters with furniture, paperwork and everything Eloise had left behind.

The dairy farm operated through a corporation. Because the business wasn't continuing to operate, the company had to be wound up and the assets distributed first from the corporation to the estate and then to the beneficiaries. This involved more complicated tax and legal reporting requirements which left Steve very anxious.

The painful exercise dragged out over more than four years and the result was less than satisfactory. It dominated Steve's free time and all the drama with Carl's family took a toll. Even though he was entitled to some compensation for his efforts, there was no upside for Steve.





The experience compelled him to think very carefully before choosing an executor for his own will and estate. His lawyer and accountant told him to consider people he knew that had the skills and aptitude to deal with the responsibilities.

They also advised Steve to ask candidates if they are willing to be an executor and to be willing to invest some time explaining the will and his wishes should something happen to him. Naming more than one executor can spread the work, but the co-executors should be like-minded and able to work together.

The role of executor is not necessarily an honour. If the estate isn't organized and up to date, it can be an onerous task. For someone uncomfortable with paperwork, emails and phone calls, it can be a nightmare. ■

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BDO is a trusted advisor for agricultural accounting, tax planning and business consulting. Visit their website bdo.ca or Twitter [@BDOCanada_Ag](https://twitter.com/BDOCanada_Ag).

HELP YOUR EXECUTOR DO THEIR JOB

Keep your will up to date and communicate any changes to your executor. Include the following:

- People – business contacts, suppliers, customers, professionals
- Passwords – software, phone, equipment, other systems
- Paperwork – will, banking agreements, insurance policies, other agreements, investments
- Assets – detailed list of assets
- Liabilities – detailed list of debts both formal and informal
- Personal effects – collections, antiques, jewellery, household items that may have significant monetary or sentimental value and what should be done with them

SHOULD MY FARMING CHILD JOIN MY COMPANY OR START THEIR OWN?

BY TREVOR BACQUE

It's a conversation all farm families have at some point. A business transition will have to occur in some form and there is no right answer as to how a family should make decisions. Many default to choices made a generation prior without considering other options. It's good to challenge your decisions and why you made them.



Patti Durand

Business Advisor, FCC – Humboldt, Sask.

There's a temptation to make this decision independently, by instinct, but the choice of business structure will greatly impact all involved parties for years to come. Pros and cons come with each option and no choice will be perfect, so aim to pick the best option for your situation.

First, take an honest look at the working relationship between the current farm leader and the incoming generation.

- Do they get along? Are they able to resolve disputes? Is there a high level of respect and trust that both are committed to maintain?
- Now consider: are we better to be shareholders in the same business, or have independent businesses, with co-operative, mutual benefits?
- How long do the current shareholders want to be active in the business?
- How will decisions be made? Who will have voting power and for how long?
- Are long-term goals and vision for the farm business consistent or different between parties?

Next, consult your accountant, understanding that their knowledge of farm business structures and tax is an area of specialty. Ask:

- Can you advise us as we make farm structure choices with transition and tax efficiency in mind, or would you recommend another accountant with this expertise?

With those questions satisfied, you can share: "Here are some factors we care to address. Can you advise us on our options, and the pros and cons for each?"



Raymond Riel

Senior Financial Advisor, Advice Only Financial Group – Regina, Sask.

The answer is, it depends. If a child already has their own land base, has some or all of their own equipment and is generally self-sufficient, it seems logical to carry on as their own business entity. If a farm becomes profitable, it may make sense to reinvest it within their corporation.

If a child is farm-assetless but has returned to, or been part of, the family farming operation and contributed labour or other skills, one option is to gift or rollover existing shares to the child.

It's critical to enter a unanimous shareholders agreement (USA) first. A USA establishes how shareholders deal with death, dispute, disability or divorce. They help establish a valuation process for a departing shareholder's interest and a process for how those remaining can purchase that interest.

Such an agreement may also be a powerful tool to improve communication, manage expectations and build certainty for founders and successors. It can motivate further development of a successor's skillset and reward their contribution in a predictable way.

For example, it could say that at a certain date, if a successor has continued to perform satisfactorily and has completed specific training – a diploma or leadership program for example – they would receive a certain percentage more shares.

USAs are legal agreements, and require investment in legal, accounting and planning advice to negotiate and properly implement. It's a small price relative to the value of the average farming operation and can significantly improve the odds of everyone's future success.



Lance Stockbrugger CPA, CA

Owner, LD Stockbrugger Farms – Englefeld, Sask.

Farming is and always will be a risk-reward endeavour. When we talk about bringing in the next generation, it's mostly a question of how. It may be a foregone conclusion that your child and possibly their spouse may join the operation, but the structure is a critical decision.

Many parents bring the next generation in, treat them as employees, teach them the basics and pay them a wage. This is fine to start with, but not as prudent as if the child begins their own operation alongside their parents.

Why? It's important for the incoming generation to experience and understand first-hand the risks and rewards of their decisions. Using somebody else's money doesn't teach nearly as much. They won't reap the reward of making the right marketing decision, or the financial hardship of over-spending on inputs or capital equipment, as employees.

As a chartered professional accountant for 20-plus years, I've witnessed both transition methods. The employee method has sometimes worked, but the next generation starting a parallel operation was more successful.

Many push back on this idea and point out – rightfully – that this adds more complication and expense. While it's more expensive upfront, it's likely far more costly to not provide the real-life education your child needs to understand the whole business. Sometimes you need to take the more difficult trail to where you want to go. ■

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



REAL-TIME RESULTS FROM SOIL TESTING

BY TREVOR BACQUE

If there is one thing many farmers wish for more of, it's time. After all, when it is crunch time, there never seems to be enough hours in a day. Whether in the hustle and bustle of spring or a busy autumn, the minutes and seconds on a clock are always at a premium.

It's no different for crop farmers curious to know exactly what's in their dirt. Soil tests give calculated readouts of macro and micronutrients as well as information about pH and other sensitive information. There's just one problem: it can take an agonizing amount of time to receive this information.

Traditionally, you must probe and take a soil sample and send it to a lab for analysis. It enters the lab's queue before being analyzed, and results are sent back. This process can take days to weeks. Even a few days can be too long, especially when you're

trying to make educated decisions about what fertility program to run on your soil. What if you could reduce the wait time to 25 seconds?

Innovative technologies are changing the way soil sampling works. One such technology uses a mobile probe that works with cloud technology to provide results in seconds, not weeks.

Resembling a sleek metal detector, this high-tech soil probe will, within seconds of being plunged into the ground, give a readout of every key metric one could want. According to Samuel Fournier, CEO and founder of Canadian tech start up ChrysaLabs, the innovation sprung from his own experience waiting in lab queues at a past job.

"It took so long and was so expensive," he says. "I thought, 'there has to be a better way to do this.'"

Even a few days can be too long when you're trying to make decisions about soil fertility programs.

How the technology works

This is where tradition meets innovation. An agronomist pushes the probe into the earth, and spectroscopy-based and electrical-conductivity sensors begin to work and compile data. That data is then wirelessly transmitted to a cloud where the agronomist's data is instantaneously run through its machine learning program, the spectrum is converted and a report containing all vital soil information – N-P-K, pH, pH buffer, CEC, OM and micros – is sent to the farmer on their app. The entire process takes less than 25 seconds, opening up a world of possibilities for the industry.

“It's also a fantastic tool for people looking to scout in their field and get a diagnosis right now to know what kind of action they should be taking,” Fournier says.

The tech itself also creates a geo-reference for the farmer so they know exactly where the probe was plunged. If they forget, they can simply hop on the app, which has it all logged.

Save time, save money

Aimed at agronomists, retailers, research centres and agriculture input companies, users pay an annual subscription fee and can analyze as many soil samples as they wish. With regular use, you can drive the price down to as little as \$2 per sample, quite an improvement compared to the going rate of \$20 or more per sample at a lab. Fournier says agronomists should aim to do as many samples as they can.

“One big setback was paying per analysis,” he says. “If I have to pay for every sample, I will send less and less. Every time you plunge, you are taking your wallet with you. The more information you have, the better decisions you make.”

That information allows farmers to create dialed-in fertility maps instead of guessing or laying down just-in-case amounts of certain nutrients of fertilizer because they did not want to wait for soil sampling.

“Soil is the backbone of ag,” he says. “It is what helps you grow a farm. You need to ask a lot of questions to get solutions. More answers let farmers make better decisions for their field.”

Do your research

The technology isn't for everyone, however. Dale Cowan is the agronomy strategy manager and senior agronomist at Agris Co-operative in Chatham, Ont., and says with any new technology, there is always a critical proof-of-concept phase; a phase in which the probe still sits. He is the first to admit that current methods are time consuming, but he also believes they're proven by 60-plus years of soil testing results and lab analysis.

“We have to focus on the right things,” he says. “It's not about reducing the cost of a soil sample, it's about reliability. A soil sample can be \$15 to \$30, but it's guiding millions of dollars in fertilizer decisions every year.”

In his experience, Cowan says what a probe and traditional methods display from the same field at the same location does not convince him it's time to completely discard traditional soil sampling methods for new-school probes.

“I always give tech the benefit of the doubt, but you have to show me,” he says. “It's too early to pass a lot of judgment.”

What's next?

ChrysaLabs is working on permanent probes where farmers, specifically ones growing specialty crops under irrigation or fertigation, can leave a probe in year-round to better understand their situation. Greenhouse projects are also on the radar.

As the technology is further developed and matured, more options will exist to meet your soil testing needs, be it traditional, new or a mix of the two. ■



Hi everyone. The time has come for me to hang up my hat as President and CEO of Farm Credit Canada. After eight years in this role – and 34 years with the organization – it has been an honour and a privilege to serve the incredible Canadian agriculture and food industry and our loyal customers, in partnership with the talented team at FCC. June 30 will be my last day on the job.

But this is far from the end of our story. FCC and the industry we serve have lots of work left to do. And as you'll read in this issue, there are plenty of examples of agricultural success across this great nation. Global demand for Canadian agriculture commodities and food exports has never been higher. Our industry has come a long way since I started my career at FCC in 1988, and there is potential for even more growth, innovation and success in the months and years ahead. I'm confident we'll continue on this path with even greater energy and impact.

If the past two pandemic years have taught us anything, it's that we shouldn't take anything for granted. There will always be challenges and unexpected turns, but the things that matter most are the health of our families, the values that ground us, our hope for the future, and – something I've always marvelled at with respect to this industry – your undying resolve and resiliency to see the job through.

So before I hang it up, I'd like to tip my hat to you: our readers, our customers and our partners. Thank you for all you do to move the Canadian agriculture and food industry forward and for allowing FCC to be part of your journey. Thank you for your tireless commitment to sustainably producing abundant and top-quality food that we and our families can enjoy each day. We are grateful for your contributions and look forward to a bright future together. Cheers to a productive growing season in 2022 and in the years to come. Wishing good health and prosperity to all.

Sincerely,



Michael Hoffort

President and Chief Executive Officer
Farm Credit Canada



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