

MARCH 2024

# AgriSuccess

**PASSION AND PLANNING  
DRIVE AN ECO-TOURISM  
FARM BUSINESS**







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# A BETTER WAY

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- motivational
- innovative
- actionable

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Editor, Kim Sheppard

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## CONTRIBUTORS

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# PRECISION AGRICULTURE CAN IMPROVE RESOURCE USE AND YOUR BOTTOM LINE

BY RICHARD KAMCHEN

Precision agriculture can help a producer improve yield and profitability while minimizing resource use, particularly water and fertilizer.

Soils aren't homogeneous within a field, which will impact how plants grow throughout a growing season.

## Manage water precisely

"The ability to irrigate based on the plant's needs will allow for improved water management, optimizing yield with input cost," says Herman Simons, manager of smart agriculture applied research at Olds College of Agriculture and Technology.

Nothing affects yields like water. It's by far the biggest factor in yield variability within fields, regions and between seasons, says Steve Shirliffe, a professor in the University of Saskatchewan's Department of Plant Sciences.

Usually, more water is positive, but not always. An area that stays saturated for more than a few days can release the nitrate in the soil as nitrous oxide (N<sub>2</sub>O), which is agriculture's largest contributor to greenhouse gas emissions, Shirliffe says.

## Know your marginal growing areas

Marginal growing areas are among risk areas that emit N<sub>2</sub>O emissions. Identifying them and taking them out of production can save farmers money and turn the area into one that no longer pumps out N<sub>2</sub>O, but instead fixes carbon, Shirliffe says.

There are also advantages of greater biodiversity and feed availability in dry years.

For other at-risk areas, it's important to manage nitrogen fertilizer application to not only improve efficiency but also reduce N<sub>2</sub>O emissions.

"For areas that have a lot of in-field spatial variability, that's one way that precision ag can both increase profits and yields and reduce environmental impacts," Shirliffe says.

## Optimize your unique operation

How much you can maximize profits, though, is individual to your farm and area. "There's a large amount of variability from farm to farm, within provinces and across the country," says Evan Shout, chief financial officer at the Hebert Group in Saskatoon, Sask.

"When determining the financial impacts of using precision technologies, the math will be independent of farming conditions, weather and many other aspects specific to your farm. A farm management consultant can help estimate how your bottom line could be impacted by one or more of these technologies," Shout says. ■

## CHAT WITH YOUR ADVISORS ABOUT HOW PRECISION AG COULD HELP YOU OPTIMIZE INPUT COSTS BY USING:

- Auto steer to optimize inputs.
- Sectional control to minimize application overlap.
- Variable Rate Technology (VRT) to maximize yields and minimize input costs, leading to increased profitability.
- Satellite maps for zone delineation.
- Drones to collect field data like biomass, weeds, lodging and crop height.
- Spraying technology to allow for more precise chemical application.



# PASSION AND PLANNING DRIVE AN ECO-TOURISM FARM BUSINESS

BY EMILY LEESON

Khurram and Maryam Farooq have always been inspired by the words of Martin Luther King, Jr.: “If you can’t fly, then run. If you can’t run, then walk. If you can’t walk, then crawl, but whatever you do, you have to keep moving forward.”

Khurram, who goes by Farooq, says that sentiment has ingrained itself in every aspect of their lives and business: obstacles, challenges and setbacks occur, but there’s always a way forward.

Situated on the picturesque shores of Georgian Bay, Ont., their goat farm and agri-tourism venture, Farm on the Lake, is a testament to the Farooqs’ innovation and determination. Over the past decade, they’ve not only raised their children and built their business, but also meticulously planned each step of their journey as a team.







### From passion to reality

Despite having no prior experience in farming, the couple shared a deep passion for the agricultural lifestyle and its business prospects. “Our journey into farming stemmed from a deep-seated love for it, a passion I’ve held since my youth and shared with my wife,” Farooq says.

While their careers initially led them to the Greater Toronto Area, Maryam and Farooq had their sights set on a rural location. They planned to finance the move by selling their urban home. However, their first challenge was finding the right farm. Their initial choice fell through at the last moment, leaving them disheartened and concerned that they might never find the perfect spot.

“A friend told me, ‘A better one is just around the corner,’ and I’ve never forgotten that,” Farooq says. “We kept searching and eventually found a stunning 200-acre property by the lake in the Peninsula area. This location was unique and perfect for us.”

### Invest in dreams, and have a plan

Investing everything into purchasing the farm, they approached each challenge with a blend of passion and pragmatism. “We were starting from scratch,” Farooq says. “I still remember the first day we had to cut down a couple of trees blocking our path and we couldn’t afford a chainsaw, so I had to cut the tree with a regular saw.”

Their business model wasn’t just about farming; it was about creating a sustainable, self-sufficient enterprise. They knew that they had to establish a value-added agricultural business quickly to balance their books, but even after securing the land, the couple had

yet to decide what to produce. So they researched extensively, spoke with producers and made visits to local producer group meetings. They considered various options, from lavender crops to elk farming.

Eventually, goats emerged as the ideal fit for their property, especially after connecting with a producer in Quebec promoting Savannah goat doelings as breeding stock.

“We just fell in love,” Farooq says. “His entire operation was amazing.” Envisioning themselves in a similar operation, the couple saw a fit for their aptitudes and room to grow. With a plan in place, a mentor to guide them and goats on the way, they spent months preparing their property and conducting extensive research.

### Embrace the power of education

“Back then, YouTube had just started, so it wasn’t as extensive as it is today where you can watch video after video. Maryam bought books,” Farooq says. From their first winter with frozen water to their initial kidding season, they earned their education in goat farming.

They rose to the challenge and soon had a strong demand for their breeding stock goats, building a solid reputation for their business. At any given time, they now have up to 600 goats on the farm and eager buyers. But they didn’t rest on their laurels.

### Lean into opportunities

With their farm in the middle of a tourist-friendly area, the couple noted more and more passersby pausing along the roadway to take in the vista of their goats enjoying their outdoor pens. “At first, it was a couple, then

ten, then twenty, and that’s when I realized, ‘I think we have something here,’” Farooq says. “When you’re doing something you love, you don’t even know what other people think about it.”

They introduced an automated, self-serve system that allowed visitors to interact with the goats at their convenience – and without interrupting daily farm work. Word of mouth, social media and enthusiastic visitors helped spread the word, drawing more people to the farm to feed the goats, visit with the kids and take in the gift shop offerings.

### Diversify and grow what works

Their innovative approach eventually extended to a virtual feeding platform that allows people to view a live feed of the goats and click a button to automatically feed them, live on camera. They now boast nearly 5,000 subscribers on their YouTube channel – a development that capitalized on Farooq’s background in computer science and information technology.

Building on this success, they’ve diversified into agri-tourism and lakeside camping, offering unique experiences like kayaking and comfortable accommodations, and are attracting city dwellers looking for a countryside retreat.

As their business continues to grow, the Farooqs remain committed to creating low-maintenance, self-sufficient attractions that keep their farm and family life thriving and moving forward. “We love the farming experience, but it has to pay for itself,” Farooq says. “Looking back at this adventure of the last 10 years, it was worth every penny, every ache. You just can’t ever give up.” ■





# IGNITE YOUR OWN CREATIVE INNOVATIONS

## **Passion + experience = creative innovations**

The Farooqs transformed their career backgrounds, passion for farming and zest for innovation into a successful agricultural venture, despite having no prior farming experience. They worked their own expertise and aptitudes into their unique business model, even as it moved into uncharted territory. Explore how your passions can ignite creative innovations to enhance efficiency and profitability in your own journey.

## **Diversify with confidence, adapt to positive changes**

Diversifying offerings and income streams has been key to growing Farm on the Lake. Be willing to adapt to changing circumstances and market demands. Explore new avenues to add value and broaden your customer base.

## **Notice your customers' needs, and enthusiastically deliver**

The Farooqs' success was driven by their commitment to providing exceptional experiences for their visitors. They adeptly integrated innovative solutions and technology to adapt to the changing needs and expectations of their customers, ensuring added value and sustainability in their farming operations. Reflect on how adopting a similar customer-focused strategy and technological integration could transform your business interactions and drive success.

## **Plan strategically, always**

Success isn't just about passion. It's about strategic planning, understanding market trends and applying business acumen. Whether you're transitioning from a different career or starting fresh, the key is to approach farming with a robust business plan backed by thorough research and a willingness to adapt to evolving market needs.



# BEST PRACTICES TO IMPROVE YOUR CYBER RESILIENCE

BY MATT MCINTOSH

There was a time when large organizations were the main targets of cyber criminals. Now, things are different.

Small- to medium-sized businesses, as well as individual farmers, face an increasingly diverse array of cyber threats. According to Joel Bouvier, director of cyber security and information technology with FCC, how people prepare for and prevent crises must also change.

## Financial and political motivations

Hackers and other cyber criminals can be financially or politically motivated – or both. Politically motivated cybercrime, Bouvier says, is a significant and growing challenge. Because farmers and agricultural businesses are part of Canada’s critical national food and trade infrastructure, the sector faces a higher threat from those trying to disrupt or compromise it.

“The threat landscape facing producers is growing ever wider and more diverse,” Bouvier says. He cites ransomware – software that blocks access to computer systems and demands payment – and phishing – using emails and other messages to trick people into revealing sensitive information – as persistent threats, and ones that perpetrators are finding creative new ways to employ. Phishing messages are commonly sent via email, text messages and voicemail.

“The challenge for small and medium businesses is understanding what’s out there and what practices they can use to protect themselves,” Bouvier says.

## Training and crisis management planning

There is a myriad of ways individuals can protect themselves and their businesses against malicious cyber actors.

“Not updating devices, that’s where a lot of vulnerabilities come from. Update regularly and enable multi-factor authentication too,” Bouvier says, referring to the practice of requiring more than one method of account verification when logging in (a password plus text message confirmation, for example).

He adds another easy but often overlooked way to protect yourself is separating everyday use accounts for the family from those used only by administrators. If an attack occurs through an everyday use account, it may not gain access to the core functions of the device and thus can be isolated and managed.

“Take time to learn about phishing – what to look for in a message, what those suspicious indicators are.”

Many small businesses don’t have response plans, but Bouvier says they should consider preparing one. “Prepare for something to happen. Think about when, not if, it will happen. Develop an incident response plan instead of scrambling in the moment.”

### Case study

#### Ransomware hits family hog farm

In 2023, a politically motivated ransomware attack targeted a family hog farm in Ontario. The attackers claimed to possess incriminating evidence of animal abuse, including alleged footage from the farm’s compromised surveillance system. Instead of demanding money, the attackers insisted on a public admission of animal abuse from the business owners.

In reality, however, no such footage existed. In collaboration with IT experts from the University of Guelph, the family identified that the attack had not affected the entire computer system, enabling them to isolate and remove the threat.

There are many ways individuals and businesses can develop a response plan. Bouvier recommends consulting the Canadian Centre for Cyber Security, which has resources and tips tailored to different audiences with different needs.

For small and medium-sized businesses, there are also grants available through the Canadian Digital Adoption Program – up to \$15,000 – to help beef up network security.

“You can also pay a professional to come in and do an assessment of where you’re vulnerable and where you can tighten things up,” Bouvier says. He reiterates the agriculture sector as a whole must recognize how quickly digitization has occurred, and security needs to keep pace. ■





## IMPROVE YOUR CYBER RESILIENCE:

- Don't delay the installation of software updates.
- Ensure your anti-virus and security software is active.
- Use strong passwords with letters, numbers and special characters.
- Use multi-factor authentication, such as a password as well as phone confirmation.
- Don't use the same password for multiple accounts and regularly change passwords.
- Have separate systems and devices for your business and personal use.
- Regularly back up information to additional devices or hard drives.
- Understand what phishing is and avoid phishing attempts by only clicking trusted links.
- Secure private networks by ensuring routers and Wi-Fi access are password protected.
- Avoid open-access Wi-Fi networks when possible and don't share sensitive information when using them.
- Use a trusted Virtual Private Network (VPN) service whenever possible.
- Map your digital network so you can more easily isolate problems if incidents occur.
- Have a trusted IT provider and if an incident occurs, call them immediately.

# UNDERSTANDING LONG-TERM CAPITAL GAINS

BY REBECCA HANNAM

Farmland values across the country have reached new heights and continue to trend upward. While there are benefits to a healthy market, the rise has some farmers asking “What will happen when I sell?”

How capital gains, or the difference between your cost base and the selling price of your asset, will impact tax is a common question for farm advisors.

Kyle Lopez, senior tax manager at BDO Canada, says the first step to determining your exposure is to understand the tax exemptions and deferrals specific to farmland.

## Capital gains exemption

The Lifetime Capital Gains Exemption (LCGE) provides individuals with a significant tax break when it comes to disposing of assets. It may allow you to realize up to \$1 million in capital gains tax free.

The catch is that the LCGE can only be applied against capital gains on qualified farm property, so your asset must meet the definition to be eligible. Qualified farm property can be land, buildings, shares in a family farm corporation, an interest in a family farming partnership or other property, such as quota.

The property must be owned by you and have been used by you, your spouse or common-law partner, parent, child or a family farm

partnership or corporation. A “parent” includes grandparents and great-grandparents and a “child” refers to children, stepchildren, grandchildren and great-grandchildren.

If you purchased the property before June 17, 1987, the property must be principally used in a farming business by a qualifying person in the year of the sale. Alternatively, it must have been used for a farming business for any five years during its ownership.

Simply put, the property may not qualify if you’ve often rented it out.

For qualifying properties purchased after June 18, 1987, the situation is more complex. The gross revenue from farming must have exceeded net income from all other sources for at least two years. The property can also qualify if it was used by a family farm corporation or partnership for any two years and a qualified person is actively engaged on a regular and continuous basis in that farming business.

## Transfer or sell?

If your farm meets the definition of a qualified farm property, an intergenerational transfer may be permitted. Even if your children don’t plan to farm, Lopez encourages you to consider this opportunity.

“You could transfer the land to a child over the age of 18 for now and it could be an investment opportunity for them,” Lopez says.





“The transfer could happen completely tax deferred and by gifting it to them, you’re disposing of the land at cost.”

In this scenario, the increase in value and the resulting tax impact will transfer to the child. Although this means the capital gain will be deferred, the child would likely be eligible for the LCGE if they choose to sell in the future.

If you sell farmland to a third party, capital gains tax will be owed. But it’s a fairly low rate compared to a lot of other taxes, Lopez says. The current inclusion rate for capital gains is 50 per cent and the top tax rate varies by province. It’s a good idea to consult with your accountant on the specifics for your operation.

Some farmers choose to offset sales by making charitable donations or even donating an ecologically sensitive parcel of land, he adds.

Selling farmland can also affect income-tested benefits like the federal age tax credit and provincial credits. In the year of the sale, old age security income claw-back and the alternative minimum tax are other implications to consider.

### Structure matters

If you own your farm outside of a corporation, the sale itself can qualify for the LCGE and intergenerational transfer.

Farmland held in a corporation is subject to a different set of rules. Selling the shares of the corporation can be eligible for the LCGE and intergenerational transfer, but selling a piece of land out of the corporation becomes a corporate sale. In the latter case, the corporation would have to pay tax upfront. Taxable and non-taxable dividends can be paid out to shareholders.

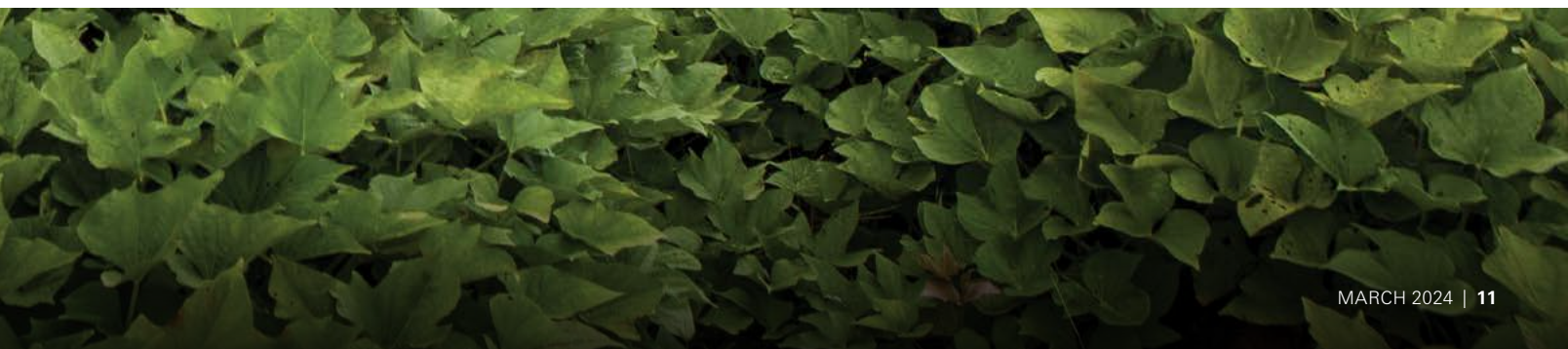
### Planning ahead is key

It’s never too early to start planning for the transition or sale of your farmland. To maximize the opportunity for tax savings, Lopez recommends the following steps:

**Make and keep records.** Write down the ownership and usage history of your farmland. This information is important when it comes to determining your options for disposal.

**Think ahead.** What may happen to your land in the future? Is transition to a child a possibility or will it likely be a third-party sale?

**Talk to your farm advisors.** A well-rounded team of advisors can collaborate and provide guidance on the financial, legal and operational aspects to consider when discussing LCGE and intergenerational transfer rules. Share your plans and goals so they can help you structure your assets in the most effective way. ■





# LESSONS FROM CRISIS

AS TOLD TO MYRNA STARK LEADER

In August 2023, fire obliterated over 200 structures, mostly homes, within kilometres of Niche Wine Co. in West Kelowna, B.C. Charred trees, burnt deer fencing and the remnants of an equipment shed are vivid reminders of fire's force.

Thankfully, the Schlossers' vines and winery – 10 years in the making – still stand, but their experience is a lesson in risk management and resilience.

## **Crisis can happen fast**

**James:** My parents started grapes in the nineties. Their 10 acres are below the winery and we have almost nine around the winery building. Years ago, we got evacuated during another fire, but this fire was different.

**Joanna:** James called from the winery Wednesday afternoon saying, "A helicopter with a water bucket is flying over every 20 minutes. This fire is really close."



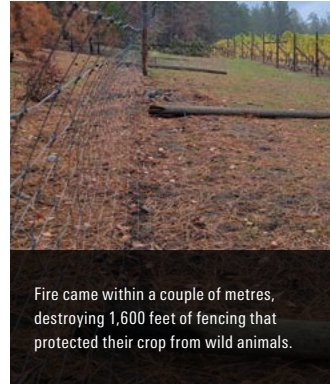




Two and a half months after forest fire surrounded their farm business, James and Joanna Schlosser reopened their West Kelowna vineyard and boutique winery.



The blackened forest is a stark reminder of the power of fire, just one of the very real risks producers need to consider with the changing climate.



Fire came within a couple of metres, destroying 1,600 feet of fencing that protected their crop from wild animals.

Luckily, an evacuation alert gave us time to think and we decided not to move equipment or inventory. Logistics seemed impossible and we knew it was insured if it stayed. By 5 p.m. Thursday, we were ordered to evacuate. We took a photo and had a glass of wine before we left, toasting what we'd built, feeling the real possibility we wouldn't see it again. We retreated to our home in Kelowna. We were evacuated from home for 10 days and from the farm for 15 days.

**James:** The footage we saw later showed a literal ring of fire around the vineyard.

### Design your insurance plan thoughtfully

**James:** For years, I renewed our insurance on autopilot. But we'd changed brokers. They designed a strong policy with business interruption insurance. Without it, we wouldn't have made it through this. Two and a half months is too long to be shut down, and getting running again takes longer than one might think. During what would typically be big months for our business, we were focused on smoke remediation.

**Joanna:** We lost our deer fencing. That was insured. After the fire, our four-legged friends had no forest food so without the

fencing, deer and bear ate most of our 2023 grape crop.

**James:** We've only harvested a small crop from my parents' vines. Worse, the fire followed two years of unprecedented winter cold. We don't have much white wine for spring release from last year, but the big impact will be next year. This year we saw cash flow interrupted but next year will be a challenge.

### Design a business strategy to include recovery

**James:** Although we've had a loss this year, we have the potential for a full crop next year. If cold or fire meant replanting, we wouldn't have had grapes for three to five years.

**Joanna:** Our business strategy has included slow and steady growth, making 500 cases of wine, then 800, then 1,200, being careful not to jump so fast we aren't able to sell everything or absorb costs. We're growing sustainably because we have an intergenerational plan, trying to think ahead seven generations from now. This is more in line with my Indigenous heritage, honouring a world view that respects those who've gone before us and who will come after us - well beyond a couple of generations.

### Know your risks

**James:** When my parents subdivided this property, they were required to do fire remediation, undercutting tree limbs so the fire had less low fuel.

**Joanna:** We think the cleared land between our deer fence and the vineyard acted as a firebreak. Had our winery/production building been at the edge, we might not have been so lucky. Fire is part of our ponderosa pine ecosystem. We need to learn to live within it and manage it. We believe in controlled burns. The Westbank First Nation has been doing a good job. Like our Fire Chief said at the United Nations, dollars are wiser spent before fires than after. It's about prevention rather than reaction.

### Diversify for future risk-mitigation

**Joanna:** Based on the weather we've faced, this fire cemented plans we'd already considered like diversifying to add revenue streams - things like building small units so people can have an immersive vineyard experience.

**James:** And micro sprinklers and between-row planting, crops like mustard and clover, to add nitrogen, but also things like beets, carrots and lettuce to sell, a more circular business concept.

### Build a community of support

**James:** In a crisis, it's hard to function. But the people we've surrounded ourselves with offered support. It's still overwhelming. Joanna's off-farm boss lent us a place to live. My friend loaned us a forklift. Other vineyard owners called offering whatever they could, as did our financier.

**Joanna:** I've always been community-minded, but this experience taught us the power of the community you keep. The help we need and the help we give, keeping those doors open, feeding those relationships is so important.

Prior relationships with local government and local support organizations like Economic Development or the City of West Kelowna were so helpful in quickly knowing the resources available. Knowing we weren't alone in this emotional roller coaster was comforting.

### Be open to change

**James:** We're learning how to manage smoky grapes, talking to other winemakers about what they've done. And our wine club members have continued ordering. We just shipped to a club member who lost their house. You think, "This has been so devastating on our business," but there are people in far worse situations.

**Joanna:** Because we didn't invest too fast, we're not feeling handcuffed. We're going to figure out what's next, not necessarily being attached to the outcome we dreamt up 20 years ago. ■

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hoof 5

hoof 4

hoof 3

# USE BIOMETRICS FOR BIG WINS

BY LORRAINE STEVENSON-HALL

Digital systems are everywhere in today's world and have become so integrated with our lives that we don't even notice we're using them – like when we check our smartphones. Adding biometric information to digital systems can improve their usefulness. In agriculture, biometrics can be used for people or livestock.

One application is for biosecurity and disease risk mitigation. People can inadvertently transfer disease, especially when going from farm to farm as part of their daily jobs. A biosecurity management system that uses facial recognition for barn entry can help mitigate risk.

Such systems include Protocol<sup>®</sup>, offered by Farm Health Guardian. “Just like opening your cell phone using your facial characteristics, you're opening the barn door the same way,” says CEO Rob Hannam. “The brains behind the system are the real key here. We're monitoring what farms you've been to recently within that network, and if the health status is different, or if you were at a farm two days ago that broke with disease, it's not going to unlock the door.” Protocol<sup>®</sup> helps farm operators and food companies take biosecurity to the next level.

Livestock identification is another application for biometrics, as is the case with OneCup AI. Bovine Expert Tracking and Surveillance (BETSY) consists of a cloud-based AI pipeline and cameras to identify and track livestock from almost any angle. BETSY is installed near where cattle gather, such as a feeder. “There are 52 points on every animal that allow us to pull data on it,” says CEO Mokah Shmigelsky. “Once BETSY has identified an animal, it collects data every time it sees that individual and creates an animal history.”

Customers can view their cattle in real time, and farm operators can receive alerts if a cow is close to calving or is in oestrus and ready for breeding.

PrüvIT software also uses biometrics for animal ID – FaceIT – for sheep identification. “The goal is to facilitate automating data for traceability reporting and autonomous data collection,” says Corlena Patterson, CEO of PrüvIT. The system digitizes, automates and shares traceability and production information for farmers to gain insights into their operations while achieving regulatory compliance. FaceIT can capture an animal's ID from various angles.

“Outside of traceability, using camera vision and biometrics makes data collection more autonomous, cutting down on the labour required to collect certain information,” Patterson says.

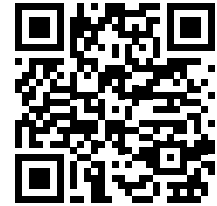
Both OneCup AI and PrüvIT can be used for other livestock species, like horses and goats.

Whether used for gaining production insights or better biosecurity management, biometrics enhance digital systems, potentially revolutionizing farm management. ■

## FOR MORE INFORMATION VISIT:

- [farmhealthguardian.com/protocol](https://farmhealthguardian.com/protocol)
- [onecup.ai](https://onecup.ai)
- [pruvit.tech](https://pruvit.tech)

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## STRATEGY DRIVES PROFITABILITY

Research reveals that improved strategic management boosts farm profitability. Strategic managers tend to be more successful over time regardless of size, location or type of enterprise.



**Do you develop and implement strategic practices?  
Use this checklist to find out how you can improve your management process.**

- Define measurable goals and objectives
- Set up procedures to continuously monitor and evaluate internal and external data
- Write plans to manage people, operations, marketing, finance, decision-making and risk-taking

Source: FMC-gac.com



# INCLUDE YOUR FARM BACKGROUND IN YOUR BUSINESS PLAN



Your farm operation's history is an important part of your business plan. Keeping track of what has happened over the years will help strengthen other components of your plan such as sales and marketing of your products or services.

Consider the steps below when writing your company background. Include personal experience and qualification; crops or livestock, size, location, and any unique features that set it apart; investments in technology, equipment, or infrastructure; sustainability practices or certifications; and key partnerships with suppliers, distributors, or other stakeholders.

1. Dig into your roots and provide a brief historical timeline.
2. Outline the business ventures that worked out and those that did not.
3. Describe your current business. Include ongoing research and development efforts or plans for future expansion.

**Scan the QR code or visit [fcc.ca/Knowledge](https://fcc.ca/Knowledge) and search for "Writing a business plan? 3 things to include in your farm background."**

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## BE A STRONGER FAMILY TEAM

Family businesses are unique and experts agree that a strong foundation and clear vision are critical to making them work. How can you improve your working relationships?

- Set clear expectations. Develop a policy handbook that states duties, responsibilities and limitations.
- Create your own definition of success, including personal factors and values that are important to you.
- Hold regular family meetings to encourage communication and clear direction that honours the responsibilities and needs of each individual.

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



# FARM BUSINESS SAFEGUARD: THE ROLE OF A PRE-NUP IN DIVORCE PROTECTION

THE FOLLOWING FICTIONAL CASE STUDY WAS CREATED BY BDO

“Are you sure you want to marry a farmer?” It was a question that George asked his fiancé Monique many times. The reason George kept floating the question, asked mostly in jest, stemmed from the history surrounding the family farm.

George’s father Andrew and uncle Guy farmed together. They inherited the farm from their father and were dairy and cash crop producers. George grew up watching the farm grow and saw how well his dad and uncle worked together. From an early age, he knew farming was what he wanted to do. But when George was in his early twenties, Uncle Guy went through some marital issues that ended in divorce.

Settling the divorce was a nightmare and things got nasty between Guy and his wife. It also affected the relationship between Guy and Andrew to the point that they almost ended the working partnership. There was no plan in place to protect the business or assets from a divorce. The corporate ownership structure of the farm meant that everything, including land and quota, was on the table for the divorce settlement.

The financial stress was intense and big decisions had to be made to comply with the settlement and keep the farm afloat. Some land and equipment had to be sold and expansion plans were scaled back.

Pulling money out of the corporation meant tax implications for Guy. It took years before the effects of the divorce were fully processed financially and emotionally.

George and Monique had started dating during that troublesome time and they felt the ripple effect of the divorce. When they finally decided to marry, they were well aware of what a divorce could do to a family business. George’s cousin Angela was also involved in the farm so there would eventually be multiple generations and multiple families involved.

Monique had witnessed the fallout from Uncle Guy’s divorce and respected the discussion, but her parents were concerned that she would be signing away her rights as a partner in the marriage.

Both Guy and Andrew had strong feelings about a pre-nuptial agreement and had already put a stipulation into the shareholder agreement that an agreement was required for anyone acquiring ownership in the farm corporation. Monique and George knew they had no choice if they intended to buy into the farm.

As the wedding was a year away, Andrew and Guy held meetings with their lawyer and accountant to review the business structure and develop a suitable plan. It brought George and Monique into the business but protected the operation from divorce fallout.





The basic plan went as follows: The farm's lawyer, who was experienced in family law, would prepare a draft of the agreement, which would serve as a template for future unions. George and Monique would obtain independent legal advice to ensure they fully understood what was being asked of them.

The goal of the agreement was simple – to ensure that the farm corporation would not be vulnerable to the financial burdens that arose in Guy's divorce. It would also document a plan for how a settlement would be addressed if the marriage ended.

The plan ensured that a settlement would be straightforward and avoid delays that could impede the ability of the business to make decisions. It would allow both George and Monique to plan for their cash flow needs in the event of a divorce. The agreement would only address assets within the corporation. Land and assets held personally by Andrew and his wife that were to be transitioned to George and Monique were not bound by the agreement.

The lawyer explained that without an agreement in place, any increase in the value of the corporation would be considered part of the net family property and attributed to both George and Monique. The bulk of the farm's value was in land and quota so a divorce could force the sale of these assets to fund a settlement.

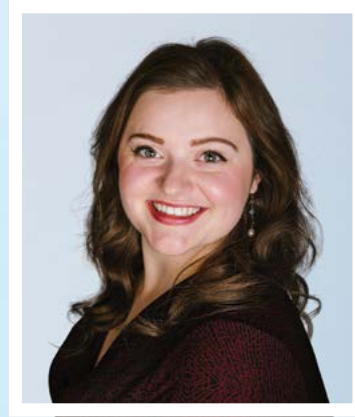
The pre-nuptial agreement would dictate that the shares of the farm corporation would not form part of the net family property. This meant that any increase in value of the corporation would not be subject to division with the departing spouse.

To recognize that the young couple would be making a significant contribution and commitment, Andrew and Guy amended the agreement slightly. They wrote into the agreement that 10 per cent of any increase in farm value would be part of the net family property and would be divided between the young couple if they divorced. The amount would be paid out to them over a 10-year term.

While there were many ways to mitigate exposure to another divorce, Guy and Andrew knew that if they wrote the pre-nuptial requirement into the shareholder agreement, it would take the decision out of their children's hands.

The children all knew the deal and could be open about it if they were in a serious relationship. It removed the awkwardness of having to ask a partner to sign a pre-nuptial agreement and ensured the farm would not have to survive another messy divorce. ■

# WHAT'S FAIR WHEN EVERYONE CONTRIBUTES TO THE FARM DIFFERENTLY?



**Annessa Good-Hassard**

Business advisor  
Calgary, Alta.

Two things are needed to run a business: time and money. Family partners may be contributing labour, management, financing, or all of these. To find balance and harmony, you need to have conversations that ensure all contributions are valued in a way everyone pro-actively agrees to.

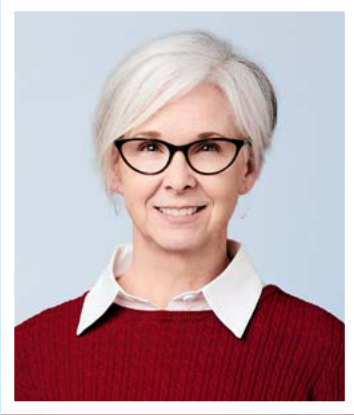
I see situations where one sibling works on the farm full time and the other works on the farm part time. The on-farm sibling reaps the benefits of the farming lifestyle, while the other off-farm sibling has comparatively significant disposable income. Each benefit has value, and that value may be viewed differently by different people.

Or, a younger producer might not yet be at a management level with the farm but is learning new skills and contributing in meaningful ways. What is the value of those things? It's important to communicate about this and find agreement on this or resentment can begin to creep in.

A good way to find balance in such cases is to track gains over time. As a family, set expectations for future gains. Decide together what's possible financially. Think about how much cash flow is needed to sustain retirement or to add on other assets in the future.

Ensure there is clarity around decisions. Know how many full-time or part-time employees the operation can afford to help ensure expectations are realistic. If the business doesn't have the capacity to employ all children full time, can the part-time individual(s) convert their sweat equity into future ownership?





### Valerie Panko

Business advisor, FCC  
Regina, Sask.

I think one of the most effective ways to ensure things feel fair and balanced is to put governance processes in place.

Governance is the process you use as to avoid relationship breakdown. It allows you to design your own set of rules around how contributions are valued, recorded, tracked and compensated for.

Without governance, the word ‘fair’ may not hold much meaning, as fairness is what you design it to be. Everyone needs to be involved in deciding what is fair together.

For example, someone may contribute through dollars instead of hours, and fairness will depend on the policies you set (through governance) around how that contribution is measured and valued. If you’re measuring to determine equity of compensation, what is fair needs to be pre-defined and agreed upon.

When setting up a governance process, there are four main areas to begin with: **decision-making, communication, conflict resolution and compensation.**

Decide what you, as a family, want to determine within each area. While there is no ‘right’ way to do this, there are tools and ways to determine it, and governance helps to decide which ones are right for you.

A facilitator can help decide what to include, ensuring that everyone has an equal opportunity to contribute to determining what is important to them, and how that is measured or valued. They can help to set rules around compensation, communication and conflict resolution – how are we governed as a group? Down the road, if there happens to be an objection, you will have rules around conflict resolution and then use those to determine compensation.

Overall, governance is the process of defining what is fair. It allows both sides to build the definition so that all sides have been fully involved. This ensures everyone is aligned, has made agreements and feels empowered. ■

### A SWEAT EQUITY FORMULA

This formula, created by Merle Good, farm succession specialist with GRS Consulting, can be used to determine value and find balance. It shows you are worth more than the farm can afford to pay you:

$$\text{VALUE} = \text{CASH} + \text{PERKS (fuel, rent, etc.)} + \text{EQUITY}$$

#### EXAMPLE 1

The full-time junior generation is worth \$120,000 (above and beyond labour). While they only take home a salary of \$55,000, they’re owed \$65,000 in “sweat equity” for 2023. That sweat equity needs to be tracked and recorded. It’s included in the balance sheet when the equity is converted to ownership – examples may be shares, land or operational assets such as cattle.

#### EXAMPLE 2

A sister works off farm part time. She hasn’t taken any cash out but has put money in. She receives a credit – which is all equity. This needs to be tracked from year to year. While this isn’t part of the balance sheet, it needs to be recorded. Everyone must agree on the expectations and formula for converting sweat equity to real equity, and the numbers must be transparent.

**Families can track their equity in an online journal that is reviewed annually, and that everyone has access to.**

**To determine your family’s annual expectations for how this sweat equity will be converted to ownership, ask the following questions:**

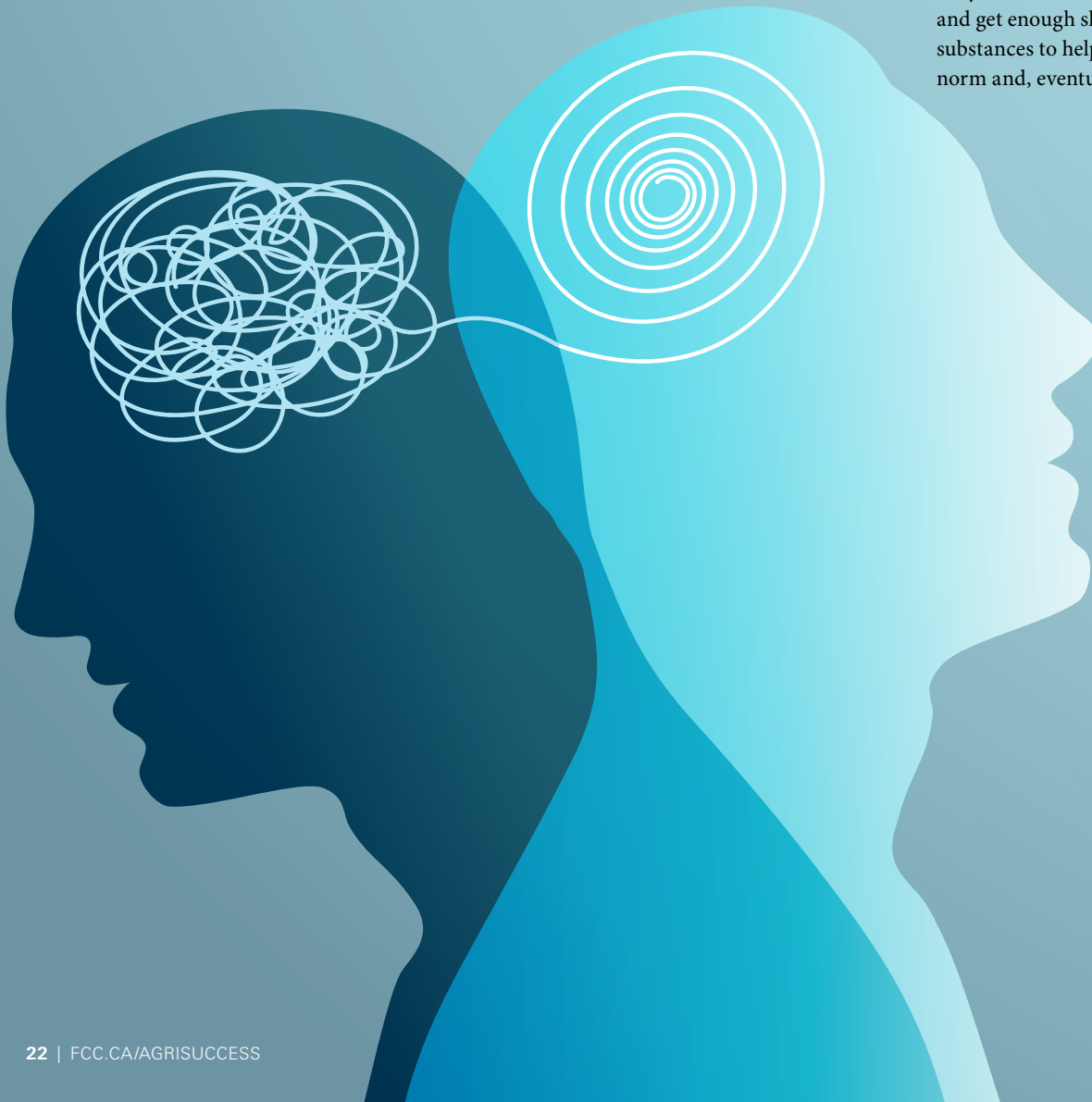
- What are the expectations for when/how this equity will be converted and into what asset?
- How are we addressing time value of money?
- How is this being addressed in the parents’ estate plan?
- Keep the lines of communication open and share evolving expectations. Include everyone’s goals and vision including individual family goals.
- Formalize the process and discussions around this and set expectations for future gain – and track it!

# ADDICTION AND MENTAL HEALTH: KNOW THE WARNING SIGNS

BY PETER GREDIG

It is not uncommon for there to be a relationship between addiction and mental health challenges. Sometimes an addiction contributes to a mental health issue. It can also be the other way around. Being aware of changes in patterns of behaviour in ourselves and those around us can help to prevent or manage damaging addictive tendencies.

Based in rural southern Ontario, Bonnie Taylor, registered social worker and psychotherapist, sees substance abuse as a challenge for agriculture, especially when stress and anxiety are running high. “It happens gradually, but sometimes a social drink or a post-dinner beer can become ingrained and over time it evolves from moderation into addiction. Sleep is often a big part of the equation. Intense pressure during busy times can make it difficult to calm down and get enough sleep. Drinking or using other substances to help with sleep can become the norm and, eventually, a problem.”





## Self-awareness and honesty

Because it often happens over time, the negative impacts of addiction may also be noticed gradually. As the addiction worsens, problems can start to arise in personal and professional relationships, quality of work, and even safety issues on the job.

According to Taylor, when behaviour and use patterns change, it's important to ask "Why am I drinking or using drugs more often? Should I take a break? Do I need to change my use patterns and exposure to the substance?"

## Watch for the signs

The signs of a problematic addiction are often similar to those of mental illness. You may notice that your family member or work colleague no longer seems to enjoy things that used to be positive for them, becomes very defensive about their drinking or drug use, is often late for work or just not getting things done.

"It's not uncommon for addictions to change our behaviour, our social activities, who we spend time with and our outlook on life, being quick to anger, isolating oneself to drink or use alone. Eventually, the habit formed to help cope with stress or pressure no longer works, but reversing the ingrained habit becomes very difficult," Taylor says.

Some addictions arise from a socially acceptable activity – a social drink or using recreational drugs. Other addictions can result from pain management medications that are used for extended periods and become a problem.

"Whether it's alcohol, recreational or prescription drugs, gambling or something else, an addicted brain is looking for that stimulation and when it's not provided, there is a negative feeling or withdrawal. For some, the severity of the withdrawal process makes it extremely difficult to reduce or stop using the substance," Taylor says. Addiction to opioid medication can be particularly problematic and should involve a doctor and an addiction specialist.

## How to help

Challenging a family member or employee about a potential addiction is not helpful. "Wait for an opportunity to talk when the person is not under the influence. Be compassionate and considerate – the message is that you are worried about them. No accusations. Have contact information on hand for resources that may be helpful."

Taylor says that people often recognize that they are in trouble with an addiction but are reluctant to do anything about it. "It's important to remember that no one sets out to become addicted, but it happens. Be supportive and offer any help that might make it easier for them to take that first step."

## Harm reduction strategies

Finding things to replace the addictive behaviour is part of a harm reduction strategy. "If a drink after work is turning into a nightly bingeing episode, try changing that ritual to taking a walk, putting energy into a project or hobby, or even spending more time with friends and family that are not enabling or supporting the addiction behaviour." It's essential to carve out time in the schedule away from work and harmful behaviour for self-care activities.

## Help is available

Addiction affects men and women, young and old, and it extends beyond the person with the addiction. Support and professional help for both the person with the addiction and those around them is available. Starting with a family doctor is a good step but other resources may be helpful when getting to a doctor or counsellor is not an option. ■

For a detailed list of mental health resources for people working in agriculture, please visit [fcc.ca/Wellness](http://fcc.ca/Wellness).

# THE 4 CS OF ADDICTION

## COMPULSION

An individual has an absolute and overpowering urge to fuel their addiction. By not partaking in the habit, agonizing anxiety occurs, affecting all other behaviours.

## CRAVING

The urge to fuel the addiction becomes as demanding as hunger pain. It feels like it's vital for survival. This urge often manifests as restlessness, insomnia and lack of appetite.

## CONSEQUENCES

Even when negative consequences become apparent, the behaviour continues. Consequences of addiction include relationship, work, legal and money problems.

## CONTROL

Control of when or how the individual fuels their addiction is lost. It becomes impossible to cut down or eliminate the behaviour when the lack of control stage of addiction is reached.

Source: National Center for Biotechnology Information, U.S. National Library of Medicine, National Institutes of Health, Healthline

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