

JANUARY 2023

AgriSuccess

VISIONARY THINKING FOR
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AgriSuccess

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

- engaging
- motivational
- innovative
- actionable

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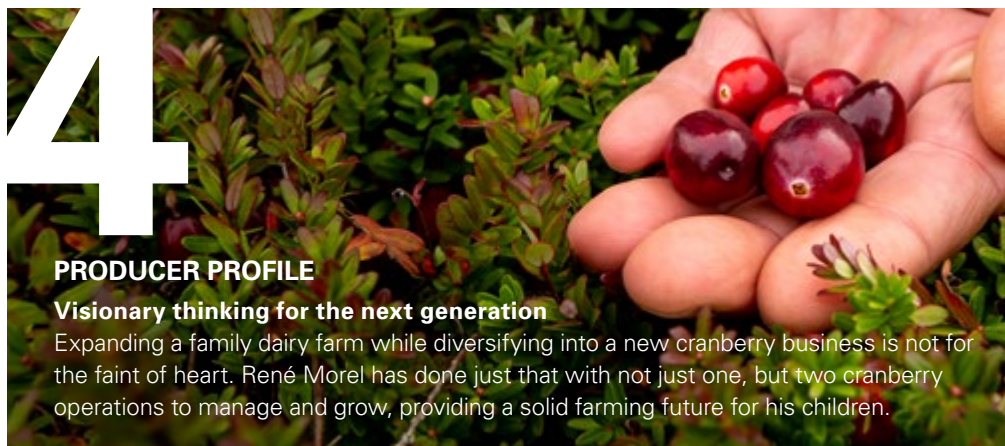
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HARVESTING SUNSHINE: CONSIDERATIONS FOR A COST-BENEFIT ANALYSIS

BY TREVOR BACQUE

As more emphasis is placed on renewable energy, farm operators have become increasingly interested in solar panels – and for good reason. Farms have wide open space with few obstacles that block sunlight, making solar a potential option. But just because the necessary real estate exists for solar doesn't mean that it's sensible for everyone.

Solar panels are expensive and it's important to calculate your payback period. The system you install will pay back over a shorter or longer time frame based on your farm's annual sunlight capture, the number of panels, which province you live in and start-up costs. Installation of solar is generally measured in dollars per watt. For example, an average home may have an 8.5 kWh system, which would cost at least \$20,000 no matter where in Canada you live. Costs only go up from there.

Location is key

If you live on the prairies, you live in the sunniest region in Canada, specifically southern Alberta, a hotbed of both agricultural production and sunshine, with Medicine Hat being the sunniest single locale in the country. A system in that region will outperform the exact same setup in other areas simply due to daily sunlight capture. Ontario is in the middle of the pack for daily sun, but many farms are in the sunnier south of the province. Beyond these areas, sunshine will likely be more variable, so it's advisable to consult with your local solar supplier and set realistic expectations.

Know your details

Panel and installation options vary, so first decide if your panels

will be on a house, outbuilding or the ground. All have pros and cons to consider.

If attached to an existing structure, you'll save money because you won't have to install concrete pilings or protective fences, and the installation will require less labour. However, panels will not likely sit at the optimal angle of 45 degrees for ideal energy production. Roof repairs can also become a greater undertaking if panels must be removed.

You can install ground panels that rotate throughout the day to follow the sun, maximizing their output, but their installation will be more expensive.

The location of your panels will ultimately determine the costs, so it's important to consider right at the outset. Performing a cost-benefit analysis can help determine your path.

As well, consider your existing power. Are you operating on single-phase or three-phase power? Depending on your setup, you may have to trench a new power line to the farm, which could quickly become a six-figure expense on its own.

Rebates, subsidies and loans

Lastly, consider what financial incentives may exist from provincial or territorial governments. Some provinces provide rebates on installation costs and will buy your energy back at various rates depending on location and time of year.

The federal government currently offers a \$5,000 subsidy on solar panel installations and a \$40,000 interest-free loan to help you get started. ■



VISIONARY THINKING FOR THE NEXT GENERATION

BY MÉLANIE LAGACÉ



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René Morel, a dairy and cranberry producer in the Centre-du-Québec region, has always dreamed big. When he took over his father Gilles' dairy farm, Ferme Girelou, in 1997, this third-generation farmer had a strategic vision of substantially increasing the company's quota. Mission accomplished. Today, he has 600 cows and nearly 600 kg more quota than he began with. What's more, this entrepreneur has become co-owner of two cranberry farms that cover about 420 acres.

Taking calculated risks

In 2007, René seized the opportunity to acquire another dairy farm in a nearby town, allowing him to double his quota. Motivated by the expansion of the herd, he decided to completely rebuild the barn on the family farm, integrating a milking carousel that offers him more milking flexibility while reducing the necessity for further investments in milking infrastructure as his herd grows.

At the same time, he also took possession of 600 acres of land devoted to field crops. Over half of the newly acquired land was sandy, making it suitable for growing cranberries. René had already considered diversifying his business and launching new products to add value to his operation, and this land gave him the opportunity to try something different.





Knowing your strengths

Despite not having in-depth knowledge of cranberries, he did have knowledge of field crops and farm management and decided to broaden his skillset by starting Canneberge Centre-du-Québec in 2010 with his wife Maggy. Since then, the operation has grown to over four times its initial size through the purchase of neighbouring properties, and partnering with other entrepreneurs has allowed them to recently become 50 per cent shareholders of Canneberge Désilets.

Integrating the next generation into the decision-making process

René and Maggy have four children between the ages of 17 and 22. They all intend to take over the dairy farm and eventually the cranberry operations, each bringing unique business expertise with them.

Élodie, the eldest, is currently studying agricultural economics. Félix graduated in 2020 with a degree in agricultural business management and technology and is presently co-owner of Ferme Girelou. Jacob holds a diploma of professional studies in animal production and is pursuing training in agricultural mechanics. The youngest, Saralie, is enrolled in a college accounting and management program. The siblings' combined skills will be valuable assets to the operation.

To facilitate the gradual integration of his four children into the dairy farm, René lets them participate in decision-making.

“I prefer to help them and encourage them to develop their talents and abilities so that they feel fully involved, even if their choices don't always match mine.”

Maximizing profitability

“The company has been able to prosper and grow well because René is an outstanding manager, a go-getter, a developer, a visionary, an intuitive and a calculated risk-taker,” explains Maggy. And René acknowledges that he wouldn't be able to do it all without his spouse and business partner. “Maggy is an indispensable ally for all administrative formalities,” he says. The two go hand in hand.

René doesn't have a degree in agriculture himself, but his father, from whom he says he inherited his entrepreneurial spirit, taught him all the knowledge he needed to succeed. René improved his management skills by building on his strengths, learning from his mistakes, observing others, developing a keen interest in numbers and surrounding himself with the right people.

“My business decisions have always been made with the highest profitability and long-term viability of my business in mind. I use various means to maximize profits and reduce production costs to increase profitability. I try to limit expenses by setting realistic goals that allow me to continue to invest and prosper. Among other things, by working the soil with the no-till farming technique for more than 20 years, I use less machinery and reduce my labour and energy costs,” he says.



Surround yourself well

René believes in the importance of consulting experts to help develop his business and doesn't hesitate to ask for advice. "It is very important to surround yourself with professionals who will help you in different areas, such as administration, financing, genetics and feeding. I am thinking, in particular, of the farm management union in my region and the Quebec Cranberry Growers Association, which have been incredible sources of information. They have provided me with sound advice and access to accurate data that has been of great benefit to me."

Delegate

René also places his trust in his key employees, whom he considers to be the pillars of his businesses' success. "You have to let them do their business in your business," he says. This delegated approach to personnel management practices seems to be paying off as goals are continually met. "Also, I have more time to do other projects," he says.

René and Maggy hope to gradually move away from dairy production as their children take over that aspect of the business. They plan to focus on further developing the cranberry operation, while supporting the next generation. And they're always on the lookout for new business opportunities that could generate future growth. ■



PRESERVING A FARM LEGACY

BY MATT MCINTOSH

Ensuring the farm has a future takes preparation. While financial and business management efforts are important, addressing the human element in transition planning is also critical.

Veteran financial advisor and Saskatchewan-based farm business planning specialist Ray Riel has over 30 years of experience with helping farm families plan for the unexpected and knows just how important it is – regardless of their life stage. Part of this planning is having a will and life insurance.

You're never too young to have a will

Keeping your will up to date is a crucial part of effective estate planning. While common for older individuals and exiting members of a farm family, Riel's experience suggests only a fraction of young farming couples have a will. This is a problem for several reasons, including the possibility that death could occur unexpectedly at any time.

Dying without a will means surviving family members are subject to specific rules about how the estate is distributed. These rules vary by province, so the division of your estate may ultimately be different than what you would have wanted.

In a family farm context, such stipulations can be financially crippling to the overall business, particularly since assets being transferred to surviving family can be subject to estate taxes.

"I worked with a young family with five kids. The parents jointly owned land, but the cattle were in the husband's name.

She worked off the farm. He died in a vehicle accident and the kids were minors. Without a will, and with minor children, her accountant told her the tax bill would be as if he had sold the entire herd overnight," Riel says. "Not having a will can literally bring a farm down."

Pre-plan to avoid confusion

Wills don't have to be complicated. Even a simple document stating where main assets should go can prevent major complications.

Tom Deans, an intergenerational wealth transfer expert in Ontario, agrees. Lack of planning can quickly divide and destroy wealth accrued over generations. It can also impact family relations. "What could destroy the next generation is the surprise, the confusion, the delay. Dying without a will brings tons of acrimony, confusion and expense," Deans says. This is particularly tragic, he says, because a person's true legacy is their family and its success, not the business itself.

"The true legacy of the senior generation becomes the absolute, unwavering commitment to see the next generation succeed. They don't leave it to chance. They work hard at it."

However, the nature of farm businesses makes proactive planning a challenge. "It's difficult to strike the right equality balance when you have assets that are hard to divide, like land," Deans says.



Provide clarity for decisions

Both Riel and Deans say regularly reviewing your will is a good way to re-familiarize yourself with its contents and provides a chance to make revisions that reflect changing life circumstances – the presence of more children or the identification of a successor, for example.

It also provides a chance to clarify estate planning decisions.

A standard will, says Riel, does not address why a person has divided their estate in a specific way. This leaves room for family members to misinterpret or project their own reasoning onto the deceased person's estate decisions, creating potential familial strife – a perennial threat to farm viability. For Riel, enhancing a standard will with an explanatory letter is an opportunity to explain what was intended and why.

“It will be the last time your family will hear from you,” Riel says. Recognizing that a farm business is often important to the entire family – not just those who stay in the business – and speaking to family members about what they value and how it can be preserved helps reduce the risk of future conflict.

“A farming legacy is a tapestry made of values, attitudes, property, heirlooms, stories and traditions that form part of family culture. Remember, non-farming kids grew up in the same place as the successors. They're connected despite not farming and often want to maintain traditions. They want to know that what they value will still be there and is still important despite a business transition.”

Ensure you're insured

Wills aside, life insurance also safeguards against family-facing debt pressures, childcare expenses, reduced household income potential and other challenges.

Term insurance lasts for a specific period. If death occurs during that time, the policy holder's family receives the benefit. Riel says this is a good choice for younger farmers since children are often in the picture, and significant debt tends to be incurred earlier in one's farming career. Premiums are also affordable.

Conversely, older farmers might opt for permanent insurance. It's a more expensive option that guarantees the family will receive a benefit regardless of when the policy holder dies. Sufficient foresight allows younger purchasers to acquire convertible policies, allowing for the conversion of term to permanent insurance at the end of the term period, without having to undergo medical assessment.

A will and life insurance are two important planning tools that can help farm families insulate both their businesses and their relationships against the unexpected. ■

FRACTIONAL OWNERSHIP AND OTHER PERKS MAKE FOR ENGAGED EMPLOYEES

BY RICHARD KAMCHEN

Today's labour crunch is giving farm managers greater incentive to apply outside-the-box thinking to attract and retain workers.

If you're managing a farm, you might want to take a page from other business sectors by giving employees the opportunity to acquire small ownership stakes.

Employee Share Ownership Plans

Employee Share Ownership Plans (ESOPs) are rare on farms but have found success elsewhere. Consulting firm ESOP Builders reports that 40% of Profit magazine's 200 Fastest Growing Companies in Canada have ESOPs.

In the U.S., over 11,000 companies and 10 million employees have share ownership plans, including Microsoft, Hewlett-Packard, Proctor & Gamble, Cisco, Intel, Xerox, Motorola and Merrill Lynch.

Farm potential

With growing farm sizes and employee ranks, Dan Ohler, Employee Ownership Specialist with ESOP Builders, sees employee ownership becoming a very viable alternative.

"There can be huge advantages for attraction and retention," he says.

Ohler believes younger people want employment to be more than just a job and having an opportunity to be part owners can be a huge way to attract them. Partial ownership can also encourage current employees with valuable skills to stick around, he says.

And ESOPs can even work with seasonal workers. A solar installation firm utilized ESOPs to convince seasonal employees to return year after year. "They come back because they know they have a stake in the game," Ohler says.

How to do it

Ohler recommends offering certain employees the chance to buy shares rather than giving them away as, say, a bonus.

"The employee has had to come up with cash out of their pocket. It means a little more than if you just give it to them," Ohler says.

Since farm labourers may not have the savings necessary to buy shares, he suggests farm operators consider payroll deductions to go toward the purchase of shares.

The employer could also grant an employee options for shares, Ohler adds. These options provide the employee the right to purchase the shares at some point in the future at a pre-agreed upon price.

Options can work well as an attraction strategy, Ohler says.

A new employee would be given the right to buy shares at today's share value, but not until the third year of granting the option, for example. If the employee works out, share values may have increased significantly by the time the options vest, making the employee more motivated to buy and continue making valuable contributions to the business.

If, however, the employee is let go before that time, they'll lose the right to buy the shares.



ESOP benefits

As invested stakeholders, employees share in the risks and rewards of the farm.

“It gives the employees a sense of ownership where they start to make better decisions daily, and it’s a great way to keep them, because then they’re not going to go down the street,” says Ohler.

ESOP Builders reports that non-farm companies that implemented ESOPs benefitted via:

- Highly engaged workforces: Employees are more productive and engaged, with 20% higher performance scores and significantly less absenteeism.
- Attracting and retaining talented staff: When recruiting, ESOP companies receive 3.5 times more applications than non-ESOPs, while turnover is significantly reduced – by up to 200%, according to the U.S.-based National Center for Employee Ownership.

Other unconventional offerings

While fractional ownership can be a nice offering to help attract and retain employees, it’s not the only option. Housing and access to transportation have also become fairly common for farmers offering non-monetary compensation.

“I remember a farmer telling me they offered their employee a brand-new truck that was theirs to use from the get-go and theirs to own if they put in five years,” says Heather Watson, executive director of Farm Management Canada.

But there are other less conventional benefits as well.

“I’ve heard of farms instituting social programming and group activities to help build comradery and a sense of belonging,” says Watson.

The more that farms can provide employee benefits comparable to non-farm sectors, the better their chances of attracting and retaining employees, she says.

“Things like comparable wages, bonus/performance programs, loyalty programs, health benefits including counselling, and pension programs make a lot of sense,” says Watson.

Perks and bonuses could also include employee family members. Beyond company parties and sporting events, they could include gift cards or other meaningful gifts relevant to the interest of your employee.

Given the nature of the work, farms can also provide additional benefits that other businesses can’t – like a share of the production, be it a side of beef, fruits and vegetables, or other farm products.

Even the farm working environment itself – working outdoors, with animals, feeding the world, helping support the community – may speak to employees’ needs and values beyond simply wages, she says.

“There’s a lot of opportunity for farmers to think outside of the box by looking at what other businesses are doing, and then what else they can offer that only a farm can,” says Watson. ■



KELOWNA GROWER SHIFTS STRATEGY WITH GRACE

AS TOLD TO MYRNA STARK LEADER

Over the past 20 years, Andrea McFadden has morphed her business strategy multiple times to make farming on eight acres in Kelowna viable. Currently, the self-professed plant lover grows 60 lavender varieties, over 120 damask roses and nearly a dozen different herbs for three uses – the culinary market, for seed, or to be distilled on-farm, with the essential oil and hydrosol* sold as is or used in farm-made products.

Through all the ups and downs, Andrea remains excited about what comes next at Okanagan Lavender and Herb Farm and is eager to share the lessons she's learned over the years.

Practice resilience

My grandfather founded a successful nursery in the region in 1908. My dad was fascinated by growing grapes and he and my brother produced the first family wine in 1989, the beginnings of Quails' Gate Winery, which my other brother now heads. I decided to pursue farming after my kids were born, leaving teaching.

I replaced the aging, declining orchard with grapevines. Just as the grapes were really producing, a killer frost wiped out everything, except some lavender I'd planted as an experiment. I'm always experimenting, fascinated by plants respected historically for traditional benefits, like lavender as an anti-inflammatory. I thought, "Perhaps I've got something here," and planted more.

Creativity and a positive attitude toward change is important

I've always believed change is good. You harvest a bounty of a certain plant one year, but not enough the following year to create a certain product. That's part of farming. I'm able to see different perspectives and opportunity. People would be scared to hear all the ideas in my head. The flip side is keeping focus, really considering, 'Is this idea good for the business?'

I also love learning and creating. This helped shape our products. At first, I sold soaps and sachets at the local farmers markets and in my tiny on-farm shop. But when customers responded positively, I took a calculated risk, borrowing for the farm for the first time to expand the store, add a better distilling area, a commercial kitchen and offices in a new on-farm, 2,000-square-foot structure.

Trends matter

Talking with family and seeing wine industry tasting bars, I embraced experiential tourism. Visitors were encouraged to walk in the fields, learning about the plants and how we craft what we make. We hosted seasonal events, starting with a stroll through rows of plants that we lit up at night, followed by an indoor sensory experience. Guests sampled food, drinks and products made from what they'd just seen. They could create a personalized beauty or body care product at our aromatherapy bar.



International validation helps too

We've changed our labelling a couple times to reflect the nature of our products more clearly; however, placing third with one of our face care products in the North American Clean Beauty Awards in 2017 was big. There were entries from Australia, Europe, the U.S. and Canada. It confirmed the business was on the right track and that there was an ever-growing number of people seeking trusted, more transparently created beauty products.

Even when change isn't yours to choose, there can be positives

More recently, increasing incidents of forest fire smoke in the area deterred farm visitors. Some neighbours actively discouraged customers' parking for events. Then the pandemic meant no guests. I poured my heart and soul into the experiential business, but survival depended on change. We accelerated our five-year business plan, moving very quickly to shift into e-commerce and learning how to operate an online store and wholesale.

It wasn't easy but it's been good, especially with an ever-tightening on-farm labour market. Online shopping has taken off and so has the amount of online beauty information and influencers. We've also gained access to customers world-wide and currently ship across Canada.

Use data to drive decisions

This year, our 100 per cent damask rose hydrosol skin toner took second in the Clean Beauty Awards. While the Clean Beauty Awards provided validation, it's also important to draw on data. The information we learn from Google searches and online reviews helps inform our business decisions. Some of our historic best sellers tanked online, like lavender salt scrub, I think because experiencing how it makes your hands feel doesn't work online.

We've also ditched some labour-intensive items. Items for the culinary sector are now sold as flavouring for others' products like ice cream and cider. This stream comes largely through networking over the years – so important.

Advice I wish I had earlier

Spend time mapping the topography and soil structure, really understand it and what it can sustain. Some things done here were smart but so many more could have been smarter, like planting trees in the best spots to mitigate wind damage, particularly with more weather extremes and our diverse soil types.

Right now, I'm very interested in leaving parts of the farm to go back to nature to improve biodiversity. For years, I've belonged to the Canadian Association of Family Enterprises. When you're a third-generation grower like me, there's also an emotional connection to the land. Caring for it in the long-term is always factored into my business strategy. ■

*Hydrosol has similar qualities as pure oil but is water-based, much less concentrated and safer to apply on skin.



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AI AND MACHINE LEARNING FOR **BETTER FARM MANAGEMENT DECISIONS**

BY PETER GREDIG

Non-ag sectors like real estate and financial services are experiencing a revolution thanks to artificial intelligence (AI) and machine learning. Agriculture has a similar data-rich environment, but there are differences that make it harder to hand off farm management decisions to a computer.

As a digital product manager for a major agricultural input company, Ontario-based Tony Meekes is entrenched in the pursuit and development of better management tools for farmers. In recent years there's been plenty of hype surrounding the use of AI to turn reams of agronomic data into meaningful decision aids.

"We're on the cusp of making significant strides in certain areas. I believe that some of the compelling advances and uses of machine learning in other sectors will find their way into agriculture," says Meekes. He also points out that AI is a broad term and that machine learning is a better term to describe how good data can be used to generate credible and trustworthy decision-making tools.

What is machine learning?

Machine learning is a form of AI whereby a programmer develops algorithms that teaches the technology how to solve problems rather than having the programmer do it themselves. It's a major distinction and it's powerful – in the right setting.

For example, machine learning is used to detect credit fraud by spotting unusual patterns and to provide customer service via chatbots that answer questions. Machine learning completes these tasks quickly and accurately.

Machine learning in real estate

Real estate investors are using AI and machine learning software to predict how properties will perform in the rental market, and future property values. There are also tools that accurately predict property maintenance costs in the near and long term. Machine learning can pull all the available data relating to real estate and take into account other economic information that is peripheral but still impactful. AI software makes these calculations instantly – faster and better than a human.

So what about agriculture?

Machine learning is based on thousands of iterations with good data. High quality data and high numbers of iterations speed up the machine learning process. The algorithm spots patterns and generates a more useful and accurate output.

But in agriculture, data that is relevant for one region, crop or niche may not be valid or helpful in another. The variables at play are greater and less predictable, even though farmers have been collecting yield and soil fertility data for more than two decades.

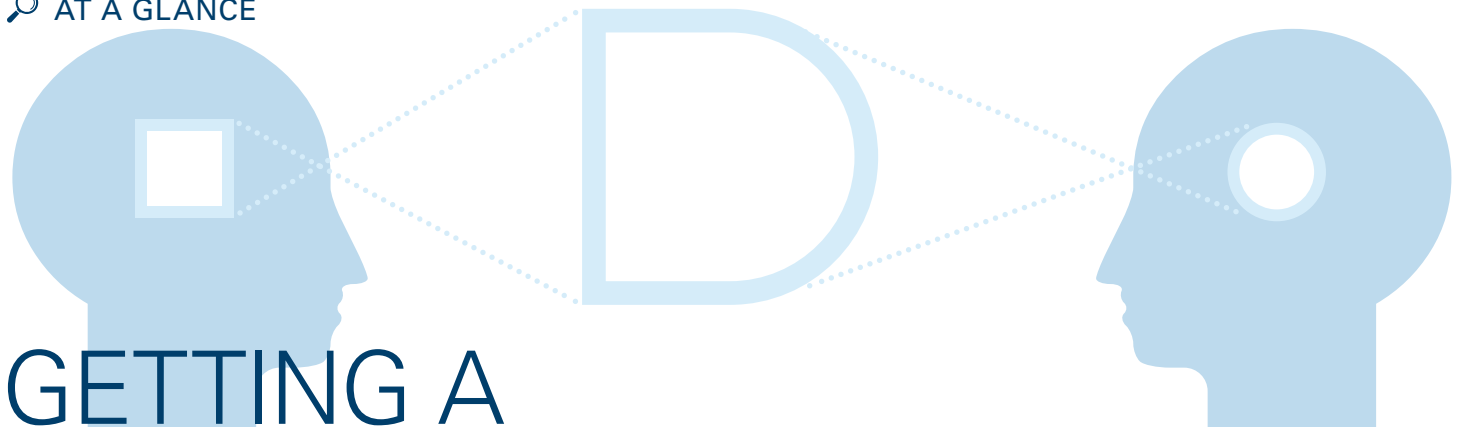
Weather remains a challenging wildcard for machine learning in field crop production, so controlled environments in livestock and greenhouse production are better suited to its benefits. Many manufacturers are using machine learning tools to predict which mechanical components in industrial equipment will fail and when. This could be a fit for agriculture too.

Meekes sees a few obstacles that need to be addressed before machine learning is optimized for agriculture. "We saw a number of major players aggressively building crop production and equipment use databases in the past few years, but there is a huge opportunity to use AI and machine learning for financial management," Meekes says.

"Farmers have been more protective of their financial data so that needs to be addressed, but the success this tech has had in other sectors suggests layering aggregated financial data with production and agronomic data can be extremely powerful," he says.

Going forward, Meekes says farmer acceptance of the technology might be the biggest challenge. "Farmers are experienced in using data to validate their experience and gut instincts, but they may be reluctant to hand off major decisions to these tools."

It's more likely that they will trust AI to guide them on smaller, day-to-day, real-time decisions, and maybe to get a better handle on how things like inflation, carbon market policies and interest rates may affect financial management decisions. ■



GETTING A DIFFERENT PERSPECTIVE

Working with outside advisors can bring focused expertise to your farming business. A lawyer, accountant, farm advisor, HR consultant, livestock nutritionist or agronomist can add new ideas to your management and planning. A business owner from a different industry, or a farm operator from a different sector or geographic area can also provide unique angles.

TIP:

Focus on the value they add to your business, not the expense of paying for their time.

Source: fcc.ca

IT'S TAX SEASON AND **AG EXPERT ACCOUNTING IS HERE FOR YOU!**

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- Discussion boards where your questions are answered, including a board for new users

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Avoid common tax pitfalls by:

- Knowing the initial value of the write-offs when selling assets
- Accounting for tax costs if you withdraw from a Retirement Savings Plan
- Choosing longer-term tax savings if planning to sell the farm business

Source: fcc.ca

CANADA'S FARMS ARE **MORE SUSTAINABLE THAN EVER**

According to the latest Canadian Census of Agriculture, 65% of Canadian farms are using sustainable farming practices like:

- Rotational and winter grazing
- Planting cover crops
- Using shelterbelts and wind breaks

They're adapting to climate change too, with more drought-tolerant crops being planted.

Source: statcan.gc.ca; ofa.on.ca

GAME-CHANGING AGRI-TECHNOLOGIES

The global population is expected to increase by 2.2 billion by 2050 and farmers will need to produce 70% more food than now.

Agri-technologies will help keep up with growing demand. Operations may benefit from:

- Precision agriculture to optimize resource use efficiency, sustainability, profitability, productivity and quality
- Indoor vertical farming to precisely control light, temperature, and water and increase yields
- Farm automation to merge agricultural machinery, computer systems, electronics, chemical sensors, and data management
- Water management technology such as micro drip irrigation to reduce water wastage

Sources: masschallenge.org, fcc.ca

RISING INPUT AND INTEREST COSTS CHALLENGE TRANSITION PLAN

THE FOLLOWING FICTIONAL CASE STUDY WAS CREATED BY BDO

Sonja and Dieter were happy when both their children committed to taking over the family farm. Their son Karl was in his mid-30s with a young family and their daughter Heike, 30, had recently married and moved into the farmhouse.

The transition plan had been in the works for about three years. The goal was to allow Sonja and Dieter to transition out of the business within the next three years when they would both be in their early 60s. They would sell some farmland and all the equipment to the kids, and they had agreed on a price that was fair to all. The remaining farmland would be sold to the children in the coming years. Sonja and Dieter wanted to build a small house on one of the farm properties, do some travelling and be financially secure in retirement.

Dieter remembered how difficult his early years were in getting established and he wanted the children to hit the ground running. It was his wish to spread the payment for assets out over an eight-year period to soften the hit. He felt that the farm needed to continue to expand to support two families and to help his children meet their commitments to him and Sonja.

An opportunity too good to pass up

One night a neighbour stopped in to let Karl know that he was selling two properties that abutted Karl's family land. These properties were going to be sold via land auction, but the

neighbour wanted to give Karl a heads up.

Karl was excited and called a family meeting. The timing wasn't great, but he wanted to go for it – Dieter had always said that he would buy that land if it ever became available. They met with the family's accountant and discussed the farm's ability to take on a significant bump in debt. It was doable based on Karl's revenue projections, but depending on how big the number was, it was going to be tight. They decided to submit an aggressive bid and bought the land.

Cash flow crisis

Year one went OK. They had a decent year, and the farm was able to meet all commitments and even replace some aging equipment. The speedbump came in year two. The term "perfect storm" could describe how a combination of supercharged price hikes for fertilizer and fuel, rising interest rates and a disappointing year for revenue from farm operations all led to a cash flow crisis.

The farm was struggling to cover expenses and service the debt. Karl and Heike stopped making payments to mom and dad – they explained the situation and said it was just temporary. But after six months with no money coming in, Dieter and Sonja were starting to get worried. They were trying to pay for their new house and needed to replace their vehicle.

The ensuing family meeting got emotional as the kids defended their lapsed payments by saying dad had always pushed them to expand and take risks. Dieter and Sonja agreed but said a deal is a deal whether it's family or not.

Relationships at risk

After another three months with no money coming in, Dieter was forced to take a job at the local elevator to help make ends meet. He told Karl and Heike that he would be forced to rent out the land he still owned if they couldn't resume making payments.

It wasn't the retirement that Dieter and Sonja pictured, and the relationship with the children was strained to the point that they weren't getting together as a family. Communication was breaking down.

The conversation at the next family meeting was not easy – they were all going to have to make some tough decisions. Dieter and Heike met with their lender to discuss extending some existing financing to less aggressive repayment terms and arranging a mortgage on another parcel to generate enough funds to cover the house construction costs.

It was evident that more cash flow needed to come from somewhere to support three families, and Karl solicited some custom work and off-season trucking to generate revenue. Heike went back to work part-time.

Learning lessons the hard way

Karl and Heike were surprised to learn how cash-poor their parents were. They assumed their parents had some personal funds set aside, but Dieter had never believed in off-farm investments or RRSPs. The land was to be their retirement fund.

Everyone agreed that the new farm purchase and aggressive expansion had created the problem. The new neighbouring farm was a real asset to the operation and there was no interest in letting it go. However, they did own a smaller property that was closer to town. If the cash flow did not improve, it would be sold.

Unity in finding solutions

They had based their decision to expand on the best possible financial performance going into the future. With the benefit of hindsight, Dieter and Sonja realized they should have required a lump sum payment up front to at least cover the cost of their new house. They also discovered that they had severely underestimated their living costs. It was a tough situation, but they had options and they and their children were united in working through it. ■

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

WHAT ARE THE COMPONENTS OF A WILL? WHAT DO I NEED TO PREPARE?

BY EMILY LEESON

You know you need one – and yet, many Canadians are dragging their heels when it comes to putting their wishes into a will. Only about half of us have one – and more still need to update what they currently have in place. A will isn't just a legal document. Done properly, it can protect your family's future, prevent feuds and save your beneficiaries time and money.



Tara Talbot

Real Estate Lawyer – Regina, SK

Every will should have these main components:

The Testator's details: Name, residence, matrimonial regime (for Quebec) and a declaration that you want this to be your will.

Revocation: It is important to revoke any prior will and any testamentary dispositions if you wish this to be the last will in effect.

The appointment of an executor: The executor is the person who will administer the estate and carry out your wishes as outlined in the will. This may include collecting assets, paying debts and ensuring that beneficiaries receive what they're entitled to. In Quebec, this person is called the liquidator. It is important that

the liquidator be a Canadian resident for tax purposes.

Remuneration: In Quebec, you must note if the executor (liquidator) is entitled to a remuneration or not.

Guardianship: This section is relevant if you have children under 18. Who will you appoint as their guardian?

Powers given to the executor/liquidator: This gives the executor (liquidator) the ability to administer the estate. Most lawyers (and notaries in Quebec) will have standard clauses for this section.

Distribution of assets: This section outlines how the executor (liquidator) is to distribute assets and who the beneficiaries (legatees or heirs in Quebec) will be. It's important to consider who will inherit what, but it is also important to demonstrate to your lawyer that you know what you own. If the will is ever challenged in the future, your lawyer can verify that you were able to articulate what your assets consisted of and had the capacity to make the will.

Trusts: If the will includes children as beneficiaries, trusts can ensure that they inherit at the age you choose, rather than the legal standard of 18. In Quebec, you can include a clause of post-liquidation administration for the minor children instead of a trust. You can also include a spousal trust in Quebec.

Alternate provisions: A provision can help account for a future that looks different from what you are expecting. If, for example, the originally intended beneficiaries are no longer living, a backup provision can lay out a secondary plan for distributing assets.

Other specificities: Consult professionals to benefit from their advice on adding further protection to your assets.

Signatures: Ensure all necessary signatures have been added, as forgetting or omitting one will be problematic.

Date: Ensure that you date your will.

Choosing an executor (or liquidator) is a big decision

While it's important to choose someone with good organizational skills who can keep a cool head, there are some misconceptions about what makes a good choice.

An executor (or liquidator) doesn't necessarily need to be someone who already has experience in business or accounting – they need to be willing and able to learn on the job. Being local can be an asset if it means easily getting to the bank and the lawyer, but it's not entirely necessary.

The right person also needs the time available to do the job, or needs to be willing to make time, as the time commitment can be significant. Support is available to them, from the funeral home to the lawyer and the accountant. A good executor (or liquidator) needs to be receptive to their advice.

Ultimately, your executor (or liquidator) must be someone you trust to respect your wishes.



Tim Lang

Business Advisor, FCC – Brandon, MB

Communication is key when it comes to estate planning. Just as farm family meetings are important, discussing the contents of a will and the reasonings behind them will help to keep everyone on the same page.

There are professionals who can help ensure that your wishes are adequately reflected in your will. Your accountant, lawyer and financial advisor can all offer support and advice on ensuring the best possible outcome. In Quebec, your notary can also offer support and advice for the preparation of your will. Gathering the right information for those meetings can help make the entire process run more smoothly.

Information to provide your professional advisors

Real estate holdings: What properties do you own? Which are part of the farm business? Which are held personally? Who do you want as beneficiaries of these assets? An accountant can help make sure that your will includes the best tax strategy to make that happen efficiently.

Personal assets: Vehicles, jewellery, antiques or collections, and immovable property or shares that are of particular importance and that you'd like certain beneficiaries to receive.

Farm assets: Equipment, vehicles, livestock, etc. Who do you want as beneficiaries of these assets? Consider discussing the reasoning behind these choices with any family – both farming and non-farming – ahead of time to avoid any misunderstandings, surprises or hard feelings.

Liabilities: Personal and business debts (for which you are personally liable), taxes and credit cards.

Investments and life insurance: Gathering any documentation that names beneficiaries will be an asset when meeting with your attorney or notary in Quebec.

Funeral arrangements: What are your wishes when it comes to your funeral? Do you wish to be cremated or buried?

After you've got a will in place, don't just file it away and forget about it. While a lot of farm operators have wills, many aren't updated regularly. Every three to five years, or any time that there's a big life event (for example, separation, divorce, marriage, new relationship, death, birth, sale of your business), you should review and update your will. If it doesn't adequately reflect your current wishes, it's not serving its purpose.

It's always easier to avoid necessary conversations or push aside their importance, but having a well-considered will makes a hard time a little bit easier on those who matter to you. ■

Got a question you'd like answered?

Email agrisuccess@fcc-fac.ca

THE NUTS AND BOLTS OF CONTROL

BY PETER GREDIG

Control is a loaded term that can be positive or negative depending on the context. For farm operations, someone (or a team) needs to be in control of the business. This involves making decisions to keep the company running smoothly and moving forward. Successful businesses rely on strong leadership, usually from a CEO, to maintain control. The alternative is dysfunction and chaos.

A more problematic version of control relates to behaviour that strives to control people on a psychological level, both in personal and professional relationships. There's a fine line between being a detail-oriented farm manager who knows what everyone on the team is doing by providing guidance and motivation, and exhibiting controlling behaviour that has a negative impact on the team or family members.

Have you ever been called a control freak, even in jest? Do you work or live with someone that seems driven to control any and all personal and professional decisions not only for themselves, but for others? Problems can arise when leaders fail to distinguish between being in control of the business and attempting to control people.



Common controlling behaviour includes:

- Insisting on having things their way, even minor details
- Refusing to accept blame for mistakes or passing blame onto others
- Creating drama and criticizing others
- Attempting to control finances and personal movements within relationships, or attempting to isolate others from relationships

Why does controlling behaviour develop?

Anxiety and worry is the root cause for many people, based on a fear that if they don't exert control, things will go wrong.

If you're experiencing controlling behaviour from family or on the farm, there are ways to communicate that it's not OK. Your goal is to ensure boundaries are effectively communicated using clear and concise language. For example, "John, I can help you work on equipment on Friday from 4 p.m. - 6 p.m. I can't help you other than that."

It's OK to ask the individual what is specifically expected of you. Then, repeat it back to the individual to ensure clarity and to establish a boundary. Stick to the facts.

We often believe that by expressing our feelings, it will allow for greater understanding. While that's a great skill, it's not always helpful when interacting with controlling individuals.

When to seek help

Controlling behaviour can cover a wide spectrum, from mildly annoying habits to more aggressive manipulative traits, to abusive control of personal movements, finances and other relationships. In both personal and professional settings, recognizing and understanding the magnitude of the behaviour helps dictate next steps. It can be as simple as discussing the behaviour and how it's having an adverse effect on the relationship or operation. In more severe and abusive scenarios, professional help and support should be sought out.

What if I'm the problem?

If you feel that you may be exhibiting controlling behaviour and struggle to maintain personal relationships, help is available. There's no shame in asking for help to understand what might be driving this behaviour and how it's impacting you and others. Well-trained, agriculturally aware therapists, like those at the National Farmer Mental Health Alliance, can help you discover what controlling interactions may look like in your life and how you might address the root causes of the behaviour.

Local support networks can also help, including the National Domestic Violence Hotline: 1-800-799-7233(SAFE).

Contact the National Farmer Mental Health Alliance at: nfmha.ca ■

How young people can start

THE FARM TRANSITION DISCUSSION



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Show them you mean business

Since any successful inter-generational transition must become a business transaction, I have found that young people who begin with a business approach will tend to be taken more seriously. What might this look like?

It means young people need to act like adults. It helps to have the start of a researched and credible financial proposal on the table, demonstrate you're prepared to talk about getting some skin in the game and have a non-entitlement attitude.

You want to be taken seriously, and being able to converse more intelligently about finances makes you a more serious and interesting conversation partner to your parents. And it makes it harder for them to dismiss their next generation offspring as children, whether they're 21 or 51 years of age.

Another catalyst for a meaningful conversation on transition occurs when the next generation independently develops its own life plan. At your own initiative, perhaps with the assistance of a mentor or coach, commit to writing a five to 10 year career trajectory.

Then invite your parents and other stakeholders over for an intentional meal in order to share your life plan. Watch the conversations flow. The important component of this strategy: young people take the initiative – both in preparing their life plan as well as preparing or paying for the intentional meal.

Do your homework

Succession should be defined as the continuation, not transfer, of a family farm business. This continuation requires a process over time of joint active roles and participation by both generations.

Words are important – do you want to be an agricultural entrepreneur and become an owner or manager of an agricultural business?

Do you have the personality, skills, and most importantly the passion to become one? Do you understand that agriculture is an equity game and not an income game?

Talk to other young farmers, discuss these challenges and then make your decision. Remember, don't ask what the business can do for you, but rather what you can do for the business.

The senior partners must – and I mean must – propose the opportunity with distinct expectations and results. The junior generation has to then mould those guidelines of the proposal into a plan.

If you simply are involved in your parent's plan, you will remain an employee.

How about long-term clarity and security? Whatever equity remains in the business won't form part of personal wealth on the parents' death. Agricultural businesses can't afford to buy a tractor twice.

Why is family farm succession sometimes so difficult? Because it's so important!



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