



FCC Knowledge Podcast – David Semmelink

Getting creative: Building a solid foundation on leased land

Interviewer: Marty Seymour (MS)

Guest: David Semmelink (DS)

MS: From AgExpert, it's the FCC Knowledge Podcast, a show that features real Canadian producers, real stories, and real good conversations about the business of farming. I'm your host, Marty Seymour.

DS: I think a lot of people think that they can just grow something and people will have to buy it. That's not the case. You have to find something or a service that people are looking for.

MS: On today's episode, we head out to Vancouver Island to chat with Dave Semmelink from Lentelus Farms. Dave has got his hand in lots of different pies. He raises livestock. He grows vegetables. He runs a farm stand. And most recently, he bought an abattoir. He's definitely a busy guy. What I found interesting about Dave's operation is that he's farming on leased land. This might seem a little odd for many of you that aspire to always owning your land, but Dave found a lot of great creative ways to run a viable business, mitigate his risk and do it all on leased land. You'll find that Dave is a really adventurous guy with lots to teach us. Don't go anywhere.

Welcome to the FCC Knowledge Podcast. On my show today is David Semmelink. Now, David, did I get your last name right? It's actually not a name I'm familiar with.

DS: Yes, that's how you pronounce it.

MS: Okay, so that segues into you don't sound like me. You sound like you might not be from Canada.

DS: Yeah, I'm originally from South Africa. I grew up just outside of Cape Town, and then moved over here when I was 18 for a gap year after high school, and fell in love with the country and stayed.

MS: Okay, so here in Canada, where are you today?

DS: I'm in the Comox Valley on Vancouver Island, right on the West Coast.

MS: What does land trade for out on the island?

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DS: There's not a lot of land for sale right now and no large farms that I know of, but basically these smaller farms around 100 acres go for \$1½ to 2½ million is kind of common in this area.

MS: Okay, so you kind of stopped me in my tracks there. I don't know what farming and agriculture is like on the island, so maybe you could paint a picture for us. What does that 100-acre farm, like what is that?

DS: Yeah, it's basically a lot of hobby farms out here and then a few commercial dairy farms. It's not a massive farming community, but we do have, for instance, in the Comox Valley, there's about seven dairy farmers, each of them farming anywhere between 100 to 350 head. And that's pretty much 95% of the agriculture out here. I lease a lot of land from Ducks Unlimited and I get the land that the dairy farmers don't want. So, I've got the smaller fields. So, my fields are typically 10, 20, 40 acre sized fields. And then my neighbours, who also lease land from Ducks Unlimited, they've got 80 acre fields, 70, 60 in that kind of range.

MS: Okay, I'm sure many of you listening may know or even heard of someone running a farm with the idea of leased land. Now owing land you work on seems a little bit risky to me, so I'm sure you're wondering what makes someone decide to do this. I'll let Dave fill you in.

DS: I'd love to own a farm, but land prices are pretty expensive out here and I wanted to start farming the day I graduated from university. Growing up in South Africa as well, my parents moving over here, basically they spent their life savings moving the whole family over here, so it's not like I'm inheriting a farm over here. And I graduated university with \$60,000 worth of debt, so that basically took the opportunity of buying anything. And when I graduated, the cheapest farm around here was probably over \$1 million for 25 acres. It wasn't really realistic for me to buy. And then I kind of discovered leasing. I'd say the average lease rate out here is around \$100.00 an acre per year. And at that price, I'm able to lease the 200 acres that I lease, and that is much less than I'd be paying on a mortgage. So, instead of putting the money I would be putting towards a mortgage, I can put it towards equipment. I can put it towards infrastructure. I can build my farm business, which has allowed me to expand a lot quicker than I would have been able to if I'd owned land and had to make those mortgage payments.

MS: What about the old argument around risk management and your landlords taking the land back? Is this an island thing where there are so many maybe people working off the farm have the land. You're actually solving this problem for them too. How does it work?

DS: Yeah, so I'm very fortunate to lease the majority of my land through Ducks Unlimited. They basically own the land so that it's not going to get developed. Their requirement is

that we provide forage for winter wild fowl and they're happy as long as we're doing a good job on the land. They're not going to kick me off the farm if I keep my end of the deal. And then I also actually lease from another non-profit up in Kelowna, and I've got a lease registered on title with them, so it's a very secure lease. I make sure my leases are very secure.

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MS: Okay, so I was maybe over complicating this, because you have these two really solid anchor partners. Ducks is never going to come in and actively farm the land as long as you're being a good steward.

DS: Yeah.

MS: Do you have a 5-year renewal rate on this, or how frequently would you have to renew these leases?

DS: Yes, I've got a 20-year lease with Ducks Unlimited, and basically, I've got the right of first refusal once it expires. And my other lease is a 10-year lease and I also have kind of first dibs on it again when it comes up. So, those are clauses I've put into both leases to make sure that I do have continuity down the line and I can feel pretty secure that 15 years from now, I'm pretty sure I'm going to be on the same farm.

MS: As I expected, Dave's done a lot of thinking and research on how to mitigate the risk of leasing land versus owning it. I think a lot of us would have the same hesitations about setting up a shop only to see all our hard work undone by some indifferent landlord. But it seems Dave's done a good job with lease deals. They work well for him. So, I imagine many of you are wondering by now what is it that Dave might be growing. I was curious to hear more too.

DS: We grow cereals. We do a bit of cereal production, and then we do hay as well. We just started growing cereals a few years ago out here, so I've been growing oats, barley, peas and wheat. This year obviously wasn't as great as it has been in the past. It was really dry and we didn't irrigate any of our grain. So, this year I got maybe as close to 1.2 tons of oats to the acre. And last year, I was hitting closer to 2½ tons an acre for oats. So, pretty good yields for unirrigated land.

MS: Does it pay if you get 2 tons an acre on oats? Can you make a living grain farming on the island?

DS: Definitely not. It's more of a passion project for me. Grain farming, I grew up in kind of a community that grew a lot of grain. It was vineyards and orchards and grain fields back in South Africa where I'm from. So, out here it's kind of fun for me to grow 20 to 50 acres of grain and I just use that as feed for my livestock. And I also use it as a bit of a marketing tool, just so I have the ability to market my meat as fed on some of my own grain. I'm not certified organic, but we don't spray it, so that's a good marketing tool as

well. I grow a little bit of wheat for my dad, who is semi-retired and bakes sour dough bread with it. So, he's making me grow a few little things for him as well.

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MS: Dave has a really innovative approach to marketing. He's using his passion for grain farming to build his brand by using his own grain to feed his livestock. Now many consumers these days are concerned about the supply chain and they want to know where their food comes from. It's definitely appealing to people, for sure. Dave's also helped keep some local supply chains alive through his operation even though these crops weren't necessarily cash cows. I did the air quotes cash cows. I don't imagine supplying dad's sour dough business is building Dave's personal empire, so you can imagine I was a little bit perplexed at his business model. Dave's operation has a lot of moving parts, so I needed him to elaborate more on how it all fits together.

DS: I've built a very diverse business basically to reduce my risk, so if any one enterprise fails, something else is there to pick it up. I started farming a piece of leased land, just a few acres, and raised pigs and grew garlic there, and every year I've kind of been building it up, leasing more land and doing a bit more. So, now I custom graze cattle for a guy, I breed my own sheep, I raise broilers, I graze pigs, and then we do turkey as well. And then we grow a lot of garlic and then some vegetables as well, which we can sell at our farm stand and then obviously I can sell a bit of straw and hay as well but most of that I use for my own livestock. And the idea has always been to create value-added supply chains of my own. So, my latest business venture is opening up a small abattoir and butcher shop. So, that I'm actually doing in Kelowna, which is in the interior of BC. So, it's quite the drive for me, but we're leasing a little farm as well up there, so I'll be able to finish some animals up there, do a little bit more value-adding, and yeah.

MS: I've still got to understand your business model a bit more. You've got all these moving parts. You've got veggies. You've got cattle, sheep, broilers, garlic. Did you diversify by design, was it a part of a plan or was it a response to the market? Because it sounds to me like your core business is the farm stand and then you're feeding it out of everything that you grow.

DS: That's true. So, I found a wholesale buyer in Vancouver to take a lot of my meat. So, I went and moved into broilers a couple of years ago. The same with the beef. Through that same contact, I got somebody that wanted me to raise 30 head of beef for them, so I bought some of my own beef and then raised 30 beef for somebody else who I've got a herd of 50 cattle that I run. I've grown with my market. I've seen what I can sell. Through my farm market, I need a diversity of products. And not everything is available from other farmers, so we do try to bring in a little bit from other farmers to our farm market. But it was tricky to bring in vegetables from other farmers because a lot of the produce you don't sell everything through the farm market so it's hard to put a decent margin on there. So, it's easier for us to grow our own stuff. If it doesn't sell, we can feed it to our pigs, so at least it's not a waste. But our business model has definitely evolved with the market opportunities.

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MS: Dave clearly has a creative approach to how he runs his operation. He's pulling outputs from one piece of his business to feed another one, and he's created a real circular economy, almost an integrated value-added supply chain. It's quite clever and it creates diversity in his operation, which helps him mitigate some of the risk that he might have. So, speaking of risk, Dave gets excited, now he started this new operation. He's now in the slaughter plant business in Kelowna.

DS: Yeah, it's a very small facility, and I'm actually just in the process of finishing up the licensing on it. It basically can run about four folks working there. We could maybe run 25 to 35 lambs through there in a day and maybe 300 to 500 broilers through there in a day. It's one of the very few both red meat and poultry plants in BC. One of my biggest kind of obstacle has been booking in animals and getting them cut up and packaged the way I want them and on time. So, that was one of my big reasons for taking on that new project. It's not something I really thought I'd be getting into, but the longer I've been farming here on the island, the more I'm aware of that need for the processing facility and for more capacity for processing facilities.

MS: Who's your target market then, because you're obviously set up to scale and grow?

DS: Yeah.

MS: You take on this slaughter plant. What's your end game? Who do you want to be selling to or how big do you want to get?

DS: The slaughter plant is going to act as its own little business where we're providing a service basically to hobby farmers, folks with a few hundred chickens a year, 10 to 50 lambs a year, that kind of thing. So, that should work pretty well for that. And then my own business, I'd like to develop my wholesale market in Vancouver a bit more, hopefully help them grown their online meat distribution company. And they pay me a really good price so that I can afford to keep farming and raising the meat the way I do. So, hopefully I can help them grow. Yeah, the possibilities of growing are pretty much endless. We have these large urban centres pretty close to where I'm farming and we can move a lot of meat directly to customers if we do our online marketing well and keep pushing that side of things.

MS: So, in your business plan then, is the online marketing where the margin is? If you took that chain versus going into restaurant or food retail, is it this online piece where you can make more margin?

DS: Definitely. I think I can because I'm going to be controlling the processing end of things. Right now, it costs me a hell of a lot more to get a pig butchered and slaughtered and turned into sausage and bacon than it does to raise that animal. And then when I sell that product, they're taking over 50% of the revenue that I'm bringing in. So, my ability to do

that myself now, I see the chance for a much larger profit margin being able to capture that bit of profit that I've been losing all of these years. And also just knowing that I'm going to have a quality product is huge.

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MS: How did you make all the math work on this, and then what's the exit strategy?

DS: My brother calls it farmer math where it always works out in my favour. Yeah, I basically, just looking at the margins, because my lease rates are as reasonable as they are, it's the only way I can make this really work. I can manage my payments on my infrastructure and equipment loans and I can afford to invest more into certain parts of the business that are doing well.

MS: After the break, if you thought Dave wasn't busy enough, he's going to share a little bit more about his role as a teacher and a mentor in agriculture. He's also going to share his thoughts around making business expansion decisions and how it impacts his future plans. Stick around. More great stuff ahead.

DS: I joke with them that I'm crushing their dreams from day one because I've introduced the fact that this is, it's just hard work. That's basically all it is. And you have to be a go-getter and you have to be willing to put in the hours in order to make this work. It's not just running around barefoot sprinkling carrot seeds. This is serious business.

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MS: Apart from running a highly diverse ag operation, Dave also teaches students on how to farm. He's busy helping his local college develop and teach a mixed sustainable farming program for smaller-scale farms.

DS: It's a six-month course, where they come in three days a week. And, yeah, we introduce them to vegetable farming. We introduce them to grain and hay and livestock farming, both on a market garden size operation, as well as slightly larger operations. All I can say really about it, it's been an amazing opportunity to kind of teach folks that are really interested in this as a career, and just to show people that it is doable to do this without inheriting a farm, without growing up farming. It's doable.

MS: I actually am kind of curious about your students.

DS: Yeah.

MS: So, from a background standpoint, I'm assuming that they have had no exposure to agriculture, and then I will assume that they want to get into the market garden side of farming and direct retail.

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DS: Yeah, the majority of them definitely do. That's more of what they're interested in is the market gardening side of things, because that's what they kind of see out here. The farmers' market on Vancouver Island where I'm at is amazing. It's a big place. I think there are over 100 vendors. It's well attended. There are a lot of folks that just do it as kind of a retirement project, I think. But quite a few folks are actually making a living from market gardening, which I didn't really realize was possible until I did a little farming practicum through the UBC farm. I think in 2014 I did that and kind of saw farming on a smaller scale. Back in South Africa, my grandfather's hobby farm was 1,000 acres. So, seeing folks making a living off a couple of acres was pretty eye-opening for me, and that's something that I'm trying to show these folks as well. But also, show them that if they start with just a couple of acres and they incorporate livestock into the business model, they can farm slightly larger acreages and do more of a holistic mixed farm system where they're incorporating agro-ecological principles. And others, to farm on slightly larger scales and turn small-scale farming into something profitable and something that they can make a livelihood from.

MS: Well, thank you for what you do on that front. I think it's grand introducing the idea of the scalability, as you point out, so that you can make a living off of it versus just a hobby, the business of agriculture. And I'm intrigued by some of the misconceptions that these young people might have when they first arrive for that first farm visit. Are there themes that new entrants would have?

DS: That part does really amuse me. I joke with them that I'm crushing their dreams from day one because I introduced the fact that this is, it's just hard work. That's basically all it is and you have to be a go-getter and you have to be willing to put in the hours in order to make this work. It's not just running around barefoot sprinkling carrot seeds. This is serious business. Even hobby farming can make money on just a few acres if you treat it as a business. So, you need your farm plan. You need your business plan. You need to understand cash flows. You need to either be working with a lender or have lots of money. And know what you're doing and realize that there's risk involved. And look at strategies to mitigate that risk. It's a business. And a lot of people the reason they aren't successful or they aren't as successful as they could be is because they don't take the business side of things as seriously as they should. When you look at it from a business perspective, sometimes it's a good idea to lend money to buy equipment and make yourself more efficient.

MS: I suppose it's pretty easy to get disenfranchised with how hard the work is for the amount of return, especially if you're not investing to increase your returns at the same time.

DS: It's bloody hard work. That is what it is. I think for myself, I found the way to be profitable has been to take on all of these different ventures and really look at my cash flow all the time and have my long-term vision in place, knowing that I just have to stick these things out. And, yes, I'm lending money to buy equipment and to build farm stands and buy more equipment for my abattoir and things, but that money will come back over the years but it is going to be hard work.

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MS: If you followed our podcast series over the last couple of years, you'll see that Dave is another example of an entrepreneur who has a solid vision and a solid business plan. It's something we hear about a lot on this show. I meet countless people over and over again that do this really well. Dave's story also makes it apparent that without investing in the right things and seizing the right opportunities, it can be super hard to increase the scalability of your business. So, how does Dave decide what to invest in?

DS: So, looking at the opportunities, you kind of have to have a bit of faith in your ability to pull something off and just being able to dream big. I think that's part of why I've been successful to a degree is I'm willing to take that risk, where others are like, no, that's too risky, that's not possible. Whereas I'm like, okay, this is possible because I'm going to bring others in, I'm going to figure out a way to do this. I try not to say, no, to good opportunities. If there's a way I can do it, I'm going to do it.

MS: Do you have some thumb rules that you apply on some of your investments? Some of the stuff I use is I want to pay back in seven years, depending on the asset, of course. But do you have some thumb rules you apply, because you've got your hand into everything?

DS: I basically want to be able to pay something back in five years, is how I look at most of the things. Yeah, a lot of my fencing, for instance, on the farms, that I've put up in the last few years to raise cattle and sheep and pigs, 60% of it was covered through the BC Ministry of Agriculture, through their Environmental Farm Plan, but still it was, I think, nearly \$40,000 worth of fencing I put in. So, having 40% of that, being able to justify that, like, okay, well, this will pay itself off over five years. And knowing that, yes, I'm going to be grazing these fields. That's how my income is going to come back from these fences.

MS: It kind of reminds me of how when I talk about my personal stock trading history, about how I got a home run on this, paid itself off in three, all of that. You must have some things that didn't work out in five. And then, how do you know when to walk away if something is not going to hit that targeted five?

DS: Highland calves, that's what my biggest mishap has been this year. I got them for a real good deal. I picked up nine of these little Highland calves this spring. I was like, okay, well, I could just drop them off at the butcher and turn them into ground beef and I would see a return on them. They lost weight all summer. They started stabbing each other with their horns just dealing with the nastiest wounds all of summer. They've been the

biggest headache. And I think they're smaller now than they were when I got them. So, that was an investment that I was like, hmm, this is a good idea. I had extra feed last winter, so that's why I got them. I was like, okay, well, I can just feed them on this extra feed. Yeah, I'm definitely not going to see a return on them.

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MS: I wish I had known you 20 years ago, because I could have shared my story when it was fresh. I owned Highland cows at one point too. And my last memory it was about 1997, all these cows chasing every cowboy in the arena up the fence to get out of the way. They were hunting us. So, yeah, they looked really good in the poster, but they didn't seem that friendly to me, not by my memory anyway.

This is the part of the show where I make my formal apology to the Canadian Highland Cattle Society for having a laugh at your expense. There's a wonderful place for Highland cattle in this industry and I don't want anyone to think that I don't cheer for them. Dave and I just didn't have the best experience, let's be honest. But what's an important takeaway from this is that sometimes your investment opportunity doesn't work out the way you want. It's these times when you've got to be critical and re-evaluate and redirect your efforts.

Okay, so just thinking a little bit about sort of what's next in the future, it would appear you've been in perpetual expansion mode. And I meet lots of business leaders that are really good at expansion. Where does it go for you? How long do you keep expanding, and then what's the next step?

DS: To be honest, I'm actually thinking of kind of shrinking at the moment a little bit. We had a bit of a family tragedy last year. I lost my brother and it was kind of a big eye-opener to what I was doing and what I'm spending my time on. It was a big reason for me to take on this opportunity in Kelowna. The rest of my siblings live in Kelowna, so I want to spend a lot more time with them. I don't want to work seven days a week anymore. I've been doing that for too long. And I want to simplify things a little bit. And that's where my students have really come into play. I have a couple of them that decided they wanted to try out strawberries, so they planted an acre of strawberries on my farm last year. So, they were doing that this summer. And then I've got some new students this year that are actually going to take over all of the vegetable production on this farm for me this coming year. And I've got another student who I've handed off breeding pigs to now. So, I'm buying back weaners from him instead of breeding my own pigs. So, I'm trying to simplify my life just a little bit so that I can have a little bit more time for fishing and other things.

MS: Oh, good for you. So, now you're in the fish business too.

DS: Yeah, you know, why not?

MS: Well, it feels to me also then is the shift in how you use labour or resource that side of your business so that you can move away from doing into leading, and did it take the family crisis in order for you for that switch to come on? Because I think a lot of people have an event in their life that says, hey, I want to re-evaluate my priorities. Or were you headed there already?

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DS: I was there kind of already, but definitely having that happen to me, it was just a good eye-opener realizing that tomorrow might not come so I need to take the opportunity to really enjoy life every day. I used to run tree planting crews all over BC, so I'm very comfortable with management, and it's something I've been doing since I was 19 and I always grew up with my dad who managed farms with 52 plus workers. So, management is something that comes pretty easily to me. I'm comfortable handing over things to others and helping them and watching them grow as well.

MS: Do you have any rules of thumb for when you decided to give away that strawberry patch to the students? How do you look at your business from the standpoint of, I can delegate that assignment?

DS: Basically, I've done it out of necessity and I've also done it out of looking at things what I really enjoy doing and things I don't enjoy so much. So, vegetable production, I just don't enjoy it that much. I don't like weeding. That's not something I'm into. So, it's easy for me to hand that off.

MS: Yeah, at my house, that's like doing the dishes after dinner. I delegate that away all day long because I just don't enjoy it. I think you're onto something that it's okay to just say, it's something I don't like to do and I'm probably not that good at it either.

DS: Yeah.

MS: As we kind of come to the end of our chat here today, Dave, if you look back on your business and starting it, so you come to Canada as a young man. Do you have any do-over's that you might have done, any decisions you made that you might have looked back and said, ah, I might have played that different?

DS: Everything that I've done has been a learning experience really. I grew up more and more in the orchard and vineyard industry and not in the livestock industry. So, for me it's just been a continual path of learning and figuring out new things. And that's one of the others things that just really bring me a lot of happiness is just learning new things and trying new things. So, even the mistakes and the screw-ups I've had over the years, I've gotten something out of it. I don't regret anything.

MS: My last question for you, because you have an interesting business model, is we spend a lot of time on this podcast talking to larger farms, and I consider yourself, I'm going to call you a small farm, not in terms of scale but you have so many moving parts in a

geographically limited area. What advice do you have for other people that might find themselves in a similar situation around how to set their business up? What advice do you have for small farms?

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DS: Just go for it. Basically, one just has to give it a go and has to work hard and really looking at the market before you try something. I think you need to grow with your market. I think a lot of people think that they can just grow something and people will have to buy it. That's not the case. You have to find something or a service that people are looking for. So, find that thing, find your niche, and market and grow on your own strengths. Look at what you can do better than others. Find something that you enjoy doing and make sure somebody is going to buy it from you.

MS: That's good advice actually. Well, thanks for taking the time to chat with us today, David.

DS: Yeah, it's been fun.

MS: Well, I don't know about you, but I thought Dave's journey and his business model was super fascinating. Who would have thought you could build such a diverse robust business model all based on leased land. I hope you learned a lot as well. Here are some of the things that I took away. Point number one, I think creating added value supply chains is a super good diversification strategy. This isn't new to agriculture, but Dave was able to prove out that he could take his grain and launder it through his cattle to add more value to it. It increased his profit margins and added some risk management to his whole system. Point number two, is Dave had a solid business plan, and I think that was really critical to the success of his operation. Some of you might look at this and think it was rather sporadic and chaotic what business plans he gets to, but for me, I saw an integration and each of his decisions was about maximizing the value of whatever by-product he produced or whatever customer-facing product he had to produce. His plans are all tailored to both his own needs and that of the consumer. It was super clever. I think a lot of people could use some of this type of thinking in their operations. Point number three, is to leverage the resources around you to improve your scalability. I'm a huge fan of scalability in our industry. And sometimes you have to borrow money and invest in something that's going to improve your efficiency and pay off in the long-run. Dave emphasized the importance of understanding your cash flow. He crunches the numbers before investing to ensure that the long-term returns associated with the investment are worth it based on today's present risk. My last point and it might sound a little bit corny, but be true to yourself. Dave is an example of somebody who started with nothing, built this business around his passions and his interests. At the same time, it evolved into him teaching and mentoring other students, ultimately creating a win-win for his business. So, I think it's important that we listen to our own needs and what's inside of us driving us. Dave is a great example of that. Be true to yourself. Well, that's it for now, folks. Remember to like and subscribe wherever you get your podcasts.

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