

ALUMNI NEWS

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Fall 2016

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Advanced CTEAM Pilot Program



**December 13-15, 2016,
Winnipeg, MB**

Several CTEAM Alumni have suggested that an Advanced Program would provide the opportunity to update strategic and operating plans and to sharpen their management skills. While we advocate that plans are living documents meant to continually evolve, the reality is life happens, sometimes making it difficult to separate yourself from day to day operations to focus on reviewing and updating your plans strategically.

With input from Alumni focus groups, we developed an Advanced Program. This is an opportunity to "work on the business, not in the business", and to do it in the type of environment that CTEAM affords.

Farmers are challenged with the bigger picture and what it means for their farming operation, given tools to deal with the issues, given access to other farmers with similar issues, and given coaching to integrate them into a plan.

The Advanced Program has three components:

- Three brief (1 hour) online presentations to review and add concepts, and to set up background for the three-day intensive program
- Three days of face to face work (December 13-15 in Winnipeg). This will have three components: classroom, workshops in which you will update your plan with coaching, and "living cases" in which participants who want to will get input from each other.
- Up to three hours of coaching after the three-day program to assist in finalizing your new plan.

Who Should Come?

CTEAM graduates, farmers who have taken EDP/CFAME and spouses of either group if they are not grads.

For all of the details and a full agenda, please visit agrifoodtraining.com/advanced-cteam-pilot-program

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A Course on Management of Capital Expenditures on Machinery

by Larry Martin

In recent years machinery costs have crept up and now rank among the biggest farm cost items. They often fluctuate significantly even between farms in the same region because farmers have a wide range of options in managing their machinery portfolios. In past years with high commodity prices and extraordinary margins, farmers had the financial resources to make decisions based on wants – shiny blue, red or green often outweighed solid financial analysis. With more bearish commodity markets some farmers want to rethink their equipment strategy to better manage cost, debt service commitments and preserve working capital to take advantage of new opportunities.

To address this need, AME will offer a one-and-a-half day course that focuses on understanding how various factors affect these and then providing a way to analyze them for each farmer's situation.

The first offering is tentatively scheduled for March 1st and 2nd in Regina. It will be presented by Joerg Zimmerman and me. Joerg is President of GlobalAgAdvisors Ltd, located near Winnipeg. He has put together a wonderful spread sheet that will allow participants to compare the financial impacts of owning, leasing, renting various combinations of machinery – whatever the colour!

Watch our website for more information.

CTEAM Alumni in the news

Country Guide Magazine recently published an article about CTEAM alumni, the Decker family of Saskatchewan.

[CLICK HERE to read the full story](#)

Two Rewarding Farm Careers



Having a successful family farm requires good decision-making and having a solid understanding of the many factors that get you there. Not only must you make the best immediate agronomic or market decisions, but as a family farm, your long-term goal is essential for the next generation. It also requires a team effort where each family member brings their own set of skills to the table to help create a meaningful career. Marie Smith

of Country Guide spoke with the Decker family from Saskatchewan about how they met this challenge and found the proper balance between farm and family.

The Curious Case of the Ontario Processing Vegetable Growers and Contract Negotiations

by Larry Martin

On June 28 this year the Ontario Farm Products Marketing Commission suddenly announced its intent to remove the ability of the Ontario Processed Vegetable Growers (OPVG) to negotiate annual contract prices and terms on behalf of growers with their processor customers. OPVG has negotiated contracts for 70 years.

There was nothing in the announcement to explain why this occurred. It came out of the blue.

The case got more interesting in mid-September when the provincial Minister of Agriculture intervened with a letter to the commission saying "Without a more open and transparent dialogue on this proposal, it is not clear to me how it may serve the broad policy objectives of the Government of Ontario". The Minister goes on to direct the commission to develop a new process that:

- Engages in consultation with all interested parties and stakeholders
- Develops a plan that will be in the interest of both producers and processors and that will be consistent with the government's policy of supporting regulated marketing and increasing the number of agriculture related jobs in Ontario.
- Includes an in-depth analysis of the industry's competitiveness and its opportunities for growth.

This followed a defense of the action by the Commission's Chair that can only be described as breathtakingly shallow by anyone who knows anything about agriculture. (See my paper, Lessons from A Comedy of Arrogance, at www.agrifoodtraining.com for full details).

The Minister's intervention plus the provincial government's apparent decision to abandon the next steps of its green energy plan suggests a course correction by the government. It also suggests very strongly that the initiative against the OPVG came from inside the Commission, not the government itself. This leads to two additional observations.

First, there is, at least in the Commission, a sense of bureaucratic arrogance that "we know best" without careful documentation and analysis of facts, data and consultation. The so-called explanation for the Commission's original action is simply shallow and one-sided. This is a danger that any organization with industry responsibility needs to guard against with clear analysis of its impacts and effects.

The foregoing observation contributes to the second one that it is an example of the fear that the agricultural sector, as it becomes a smaller part of the population, is vulnerable to outside influences by people and organizations who don't know and don't know that they don't know. It clearly underlines the necessity to regulate in the public interest, and to provide analysis that shows that the public interest is being served.

The following article was written by Larry Martin as a guest column for Country Guide Magazine. It first appeared in the February 24, 2016 issue. In case you missed it, please see below:

Use financial ratios to diagnose operational issues

AME Management: Different farms have different factors affecting their performance

The profit and loss statement provides three financial ratios that can help identify operational issues and set priorities in your operations plan.

The ratios and their benchmarks are:

Revenue/Earnings	Operating Ratio	Cost Category	Cost Ratio
Total Revenue (Sales)(TR)		Cost of Goods Sold (CoGs)	35%
Cross Margin (GM)	65% (GM/TR)	Other Operating Costs (OC)	15-20% (GM-OC)/TR
Contribution Margin (CM)	45-50% (CM/TR)	Operating Overheads (OH)	10-15% (CM-OH/TR)
EBITDA	35% (EBITDA/TR)		

The first and third columns define revenue/earnings and cost categories deducted from them on a standardized operating statement. The second and fourth are the resulting operating and cost ratios and their benchmarks. Cost of goods sold should be 35 per cent of revenue for cash crop and some livestock farms. CoGs is essentially seed, chemicals and fertilizer for crops, and feed, vet and medicine for livestock. Deducting CoGs from Revenue gives Gross Margin, 65 per cent of sales (by definition).

Next, subtract Other Operating Costs (OC) from Gross Margin. OC includes hired labour, custom work, and machinery operating costs (fuel, lube, repairs and maintenance). For crop and most livestock farms, these should be 15 to 20 per cent of total revenue. The resulting contribution margin, by definition, is 45 to 50 per cent of sales.

Finally, subtracting off Operating Overheads gives Earnings before Interest, Taxes and Depreciation/

Amortization. Overheads are normally in the 10 to 15 per cent range. They include hydro, management salaries, insurance, rents, legal and accounting expenses, property taxes. So, by definition, total operating efficiency — i.e. operating earnings/revenue, should be around 35 per cent.

These ratios are attained by many of the cash crop and livestock farms in CTEAM. Expect higher gross margins, but also higher operating cost ratios for horticulture. Operating ratios will be lower for feedlots because of their proportion of purchased inputs.

Using the ratios to diagnose and evaluate your operating statement

Your ratios and the standards provide a lot of information about your operational effectiveness. To illustrate, three example farms' ratios are below: (it's best to use three to five years of data to get an accurate picture of what's happening).

	Farm 1	Farm 2	Farm 3
Gross Margin %	71	57	69
Contribution %	40	39	52
Operating Efficiency %	26	26	26

I start with operating efficiency: it signals the overall health of the business because it's how much is left of each dollar of sales after paying all costs except depreciation, interest and taxes. OE is 26 per cent for all three, above average but below the benchmark.

Yet each of the three show very different characteristics.

Farm 1 exceeds the 65 per cent benchmark for gross margin and is under 15 per cent for operating overheads. Farm 1's problem is that its other operating costs are 31 per cent of revenue while 15 to 20 per cent is expected. High OCs may indicate excess labour that needs to be used

more effectively. Alternatively, machinery operating costs may be high because of age of equipment and/or too much for the farm. Another possibility is small equipment is being purchased that is not employed well or should be included in capital costs and depreciated. Often the best approach is to examine the largest individual costs in this category and focus on reducing them or find ways to employ them more effectively.

Farm 2 has good cost control since other operating and overhead costs are 18 per cent and 13 per cent of revenue, well within the target ranges, but CoGs is 43 per cent. This likely means Farm 2 has problems with some combination of product selling prices, low yields or ineffective control of direct production costs.

Farm 3 has CoGs and OC of 31 per cent and 13 per cent, but overheads are 26 per cent of revenue. This problem often stems from high rental prices for land or from an operation that is overpaying for management labour.

Summary

The examples illustrate the variety of situations that can exist: different farms have different factors affecting their performance. Financial results in this standardized format show whether poor performance is simply a result of bad markets or management factors that can be corrected. They also illustrate that identifying the problem is the first step in setting priorities to make improvements in operations. Farm 1 is going to focus on labour and machinery costs. Farm 2 will prioritize production and marketing. Farm 3 will likely try to do something about rental rates or management costs.

Of course, effort has to be maintained on aspects that are doing well, but this approach can be helpful in prioritizing management efforts.

Upcoming Tools and Programs for Women in Leadership and Entrepreneurship in Agriculture and Agri-food.

by Jennifer Wright, Project Manager,
Canadian Agricultural Human
Resource Council

Women play an important role in agriculture. On-farm, women make up 30 per cent of the workforce. Although they account for 60 per cent of STEM university graduates, 4-H and agri-leadership training programs, they are not well represented when we consider leadership roles in agricultural jobs.

Agriculture as an industry is facing a labour shortage that is forecasted to continue to increase in the coming years. Diversifying the labour force and ensuring that everyone achieves their potential within the industry is a key to making sure that the industry has the talent and resources necessary to support the success of the industry in the future. Women play an important part in this workforce, thus ensuring they are contributing their skills at the level in which they are qualified is essential for the future of the industry.

Over the past 18 months the Canadian Agricultural Human Resource Council (CAHRC) has conducted research focused on barriers to advancement faced by women in agriculture. The results of the research have provided great insight into the issue, as well as actions that can be taken to help address some of the barriers identified.

Although data shows that there is a strong base of qualified women working in the industry, these women are not pursuing or moving into the more senior leadership roles at the same pace as men with similar qualifications.

This point is clearly illustrated when looking at board representation by gender. Our research looked at a random sample of sixty-five industry association boards across Canada, with a mix between national and provincial mandates. Of these organizations, only 12 per cent were led by a woman and only 28 per cent had at least one woman on the board.

There are a number of obstacles to career development that women

encounter that their male counterparts do not, or at least not to same extent. This includes maternity leave and an increased responsibility for childcare, often resulting in time away from work. Also, the lack of childcare available in rural settings can impede a mother's ability to work full-time, impacting her career.

It is not, however, that women do not want to pursue the leadership roles. Our research asked women in agriculture across Canada about their desire to pursue more senior positions and career opportunities. 73 per cent of women surveyed indicated they had aspirations to develop beyond their current role. All of these women were taking steps such as networking, training and education, mentorship and applying for new roles to move themselves in their desired direction.

When this same group was asked about what they felt was holding women back from moving into leadership roles, there were a number of factors reported. The top three factors impacting women moving into leadership roles were: breaking into the "old boys club"; perception of their own capability; and the lack of role models.

Based on this research, CAHRC has prioritized the development of tools and content with the following focus:

Self-Directed Career Development

- Coaching & Mentorship opportunities
- Networking opportunities
- Sharing profiles of women to celebrate role models

Creating an Inclusive Environment

- Retain women by encouraging an inclusive environment
- Communicate in ways that both women and men understand.
- Values may not be aligned with the employer
- Have the conversation (i.e. supportive maternity leave, travel expectations, male networking styles)
- Relate issues to the cost to the business. This may be the way for men to understand the issues.

- Create a safe space / enabling environment for learning in leadership

Career Awareness

- Build career awareness amongst women, including awareness of career path opportunities

These priorities will be addressed in three main areas of tools, currently under development:

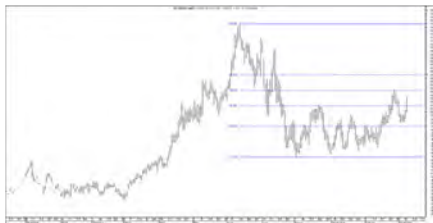
- *Supporting Women in Agricultural Leadership Site* – an online resource designed to capture and disseminate all related information for the women in agriculture community, including links to available leadership position opportunities and leadership training options.
- *Supporting Women in Agricultural Leadership Network* – a scoping activity is underway in order to define and develop a mentorship program to compliment the existing networking opportunities currently in place in the industry. The site will also include information sharing about networking opportunities.
- *Supporting Women in Agricultural Leadership Suite* – a series of instructive reference materials to support increased advancement opportunities for women. This suite will include guides, checklists, templates and supporting webinars for Boards and training institutions to improve the accessibility of opportunities for women. Examples include:
 - *Is Your Board Representative – A Best Practice Guide to Ensuring Women Are Included*
 - *Is Your Training Program Representative – A Best Practice Guide to Ensuring Women Are Included*

There is no quick fix to the situation for women in the industry. These are just preliminary steps in supporting the advancement of women in agriculture. More needs to continue to be done to ensure that the contribution women can make to agriculture and agri-business is fully realized.

What's Happening in the Grain Markets?

by Larry Martin

Grain markets continue to be increasingly volatile. While the March 07 soybean chart below is too small to read because of space limitations, it illustrates the volatility. Just since last January, March prices rallied from a low of U\$8.39 last March, to U\$11.35 in June, before dropping back to U\$9.38 in August. That's a 30 per cent variation in the price, but if your cost is, say, \$8, then it is a huge variation in your potential margin. The other grains have had similar volatility, though each has a unique pattern.



Many analysts believe that the August/September period marked the lows for this crop year. The arguments for this are that we've had all the bad news, with extremely large US crops, good sowing and growing conditions in Brazil (and not bad in Argentina), relatively well known positions in Eastern and Western Europe and India, the shock of China selling off its accumulated inventories, and some interesting shenanigans by Egypt, the world's largest wheat importer. (I'm writing this on the day of the US election and the day before the November USDA report, so we may get a test of those assertions quickly!!).

An additional argument is demand has consistently been better than the USDA predicted. This comes from a large increase in livestock numbers in the US, record ethanol production from corn, and especially strong export demand. Actual disappearance is greater than projected to get to the USDA's expected inventories of corn, soy and wheat. And, of course, the fall weather in western Canada has put the size and quality of Canada's crops in doubt. So, we have lots of bulls in the market at the moment.

If they are right, what are your alternatives going forward? Here are some along with some thinking behind them:

- **DO NOTHING.** If the bulls are right, we can just hold our inventories for a while and sell at a higher price. On the soybean chart above, there are tops from \$11.00 to \$11.38, well above the current \$10.25 that could be reached.
- **PUT A FLOOR UNDER IT BY BUYING PUTS.** Market sentiment can change in a heartbeat. What happens if the great weather continues in Brazil and Argentina with Brazil alone getting a 110 million tonne crop, and we discover that the excellent early season export demand is simply end users stocking up so they won't need much later? And the market is signaling more acres of soy in the US next year, which would reduce the need for carry over. Could the lows get lower? To protect against this, we like to see people buy Puts. As of this morning, even a \$10 March Put would cost \$.285, or 2.85 per cent, and the May is 3.65 per cent. Compare that to what you pay for your share of crop insurance!
- **PUT IN A TARGET PRICE AND STICK TO IT.** On this chart, the market went to U\$10.40 a few weeks ago, a 50% retracement. If the market goes there again and the current basis of C\$2.50 over holds, it means you could lock in C\$12.90, which should give a tidy profit and allow you to service your debt. Or, if you think the basis will get better (which may mean the C\$ will go lower), then you can do a futures only contract and lock in the basis later. (And sell your Put if you had a floor when you set the futures price).
- **PUT IN A TARGET PRICE, STICK TO IT AND BUY CALLS.** If you get your target price, now your major problem is what if it goes higher and you miss out and can't brag at the coffee shop? First, don't go to the coffee shop! But another alternative is to lock in a profitable price like \$12.90 and buy Calls to take advantage of any further appreciation. We try to do this in one of a couple of ways. One is to buy the Call when the market is weak before a rally. On the March soy chart you could have bought the \$10.60 Call for about 2 per cent in early November when the market was trading at \$10. The second is to buy on a pullback after you do the forward contract. So, if you get the chance to lock in at \$10.40, buy the \$10.60 on a pullback.

This approach gives you the chance to lock in at a favourable level and take advantage of any appreciation afterward. The most you can lose out of pocket is the premium on the Calls or Puts. By using a strategy like these, that limits you to 3 per cent or less of the option strike price, you take advantage of good prices when they occur and can benefit from even higher prices if they occur.

Note that none of these alternatives include trading futures, thereby removing the need to manage margins. But they do rely on reading the charts. Also, it's often a good idea to think about your crop in four or five tranches and do each one differently: if you have five, the foregoing would give you alternative for 80 per cent of the crop.

Growing Forward 2 Funding Update

If you are thinking of applying for Growing Forward 2 Funding to subsidize registration costs for upcoming business skill and management development programs, it's important to be aware of the various deadlines specific to each province and understanding the review process and time frames accordingly. Some provinces can take up to six weeks and will only review the applications at the end of the intake, increasing the time it takes for approval.

If you reside in Alberta, please note the Growing Forward 2 funding program for Business Management Skills Development is now again open for applications after being suspended for a few months.

Success for Women in Agri-Food Project Update

by Heather Broughton

This past year, I had the opportunity to speak with a number of women across rural Alberta through my work with Agriculture and Food Council Alberta's (AFC) Success for Women in Agri-Food project. I have learned about the many significant and innovative contributions made by their businesses in the agriculture and agri-food industry business, from primary agriculture and community supported agriculture, to production of processed food products, and other value added products. They openly talked about their successes, as well as the challenges or barriers they faced in their businesses. For some, it was the barriers that stopped them from getting started. The objective of the Success for Women in Agri-Food project is to develop and implement a pilot program to address barriers to increase the capacity and success of those women within the regional food system.

Through the many discussions this last year, I came to recognize that each woman's definition of success was individual to her. However, several common themes emerged: financial viability and profitability, feelings of accomplishment and satisfaction, achieving a work/life balance, the ability to have equal input into decisions, making decisions and choices with confidence, and being accepted and respected as equal contributors to the agri-food industry.

As determined from the data collected, to overcome the barriers identified it was important to focus on developing

a program that increased access and opportunity to skill development, increased knowledge base, knowledge transfer, expanded relationships, increased confidence and capacity within a supportive and open environment and complementing those characteristics unique to women.

AFC is presenting the Success for Women in Agri-Food Debut Event to showcase and kick start the 2017 Pilot Program. On November 19th, 2016, in five locations across rural Alberta, a combination of delivery formats will be used to provide presentations to

start addressing those barriers identified through the surveys and conversations. This is to showcase and sample the learning of practical business concepts, meet other women entrepreneurs in agriculture and agri-food and learn about what's to come in 2017!

The Success For Women in Agri-Food program will be launched in late January 2017. This unique opportunity for women entrepreneurs in rural Alberta will focus on building skills needed to make confident business decisions, forming networks and sharing information, learning about other successful women entrepreneurs, desired mentorship, and understanding the importance of getting involved in policy conversations and decision making.

Both projects provide women the tools and opportunities to continue grow in their capacity in both roles of leadership and management in agriculture and agri-food, contributing to a stronger and more vibrant industry.

Within her is the power to create, grow and transform.



Introduction to Commodity Risk

Management using Futures and Options

January 24–26, 2017

This course is geared toward any farmer or agribusiness manager whose product or raw material prices are based on commodity and/or foreign exchange markets.

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- Technical Analysis
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Stay Tuned!

2016 Bob Ross Memorial Scholarship winners will be announced in late November!