

## Management Guide



BOARD GOVERNANCE

HUMAN RESOURCES

> FARM SAFETY

**SELF-CARE** 

CONSUMER CONNECTION

**LEADERSHIP** 

SOCIAL MEDIA
OUTREACH

SPEAK UP FOR AGRICULTURE

STRATEGY AND PLANNING

SUCCESSION PLANNING



## So your desire is to serve

By Casey Langbroek

Every organization, whether agricultural, government or community related, is always looking for competent well-rounded individuals that can contribute their time, talent and knowledge to further the objectives of the organization.

Succession is important to every organization and young farmers should look to organizations where they can serve, to not only improve themselves, but to enhance the reputation of the farming community.

Boards use tools such as a Board Matrix to assess the talents, age and experience presently on the board, then look for individuals from varying industries and with varying talents and experience to complement the current board members. Do not let inexperience stop you. An inexperienced person with the right attitude and a willingness to learn can be trained to become an excellent board member.

#### Policy Board Governance

Policy Governance has its roots in the Greek word "Kubernesis", which means to pilot, to be the steersman of the ship, to set the direction, to arrive at the intended destination. It also implies to keep the ship from danger.

A Board's responsibility can be summarized as a duty "to direct and protect" the organization. It is not to manage the day-to-day operations of the organization. "Keep your noses in, but your fingers out!"

#### 10 Things Every Not for Profit Board Must Do Well

- 1. Determine Purpose and Values
- 2. Approve the major goals and results
- Maintain Board Standing Policies on aspects of Governance
- 4. Select an Executive Director/CEO/Manager and hold them accountable to policies
- 5. Ensure financial solvency and integrity
- 6. Require periodic external audits, as needed
- 7. Help represent the organization externally
- 8. Encourage and nurture the Executive Director/CEO/ Manager and staff
- 9. Serve as "Final Court of Appeals" for unresolved internal disputes
- 10. Evaluate and improve itself as the governing board.

#### 12 Questions Every Board Member Needs to Ask

- 1. Is our board composition right for the challenge?
- 2. Are we addressing the risks that could send our organization over the cliff?
- 3. Are we prepared to do our job well when a crisis erupts?
- 4. Are we well prepared to name our next Executive Director?
- 5. Does our board really own the organization's strategy?
- 6. How can we get the information we need to govern well?
- 7. How can our board get our Executive Director's compensation right?
- 8. Is our Board Governance Committee "best of breed"?
- 9. How do we get the most value out of our limited time?
- 10. How can executive (in camera) sessions help the board "own up"?
- 11. How can our board self-evaluation improve our functioning and our output?
- 12. How do we stop from micro managing?

#### Guiding Principles for Board Members

As a leader in an organization, you must demonstrate by example healthy relationships, attitudes and behavior. As a Board Member, you must be prepared to commit yourself to:

- 1. Speak respectfully about each other in all contexts.
- 2. Address and resolve conflicts quickly.
- 3. Come to Board meetings prepared and informed.
- 4. Support the Board once it has made a decision. If unable to do so, then be willing to resign.
- 5. Be honest in all Board dealings and discussions, voluntarily identifying potential conflicts of interest and never pursuing a personal agenda.
- 6. Hold all Board discussions in complete confidence.
- 7. Agree that the Board Chair speaks for the Board.
- 8. Carry out their legal duties by acting with honesty, loyalty, care, diligence, skill and prudence.
- Agree that directors have no authority outside of the Board meeting unless specifically assigned by the Board. After each Board meeting they are volunteers under the direction of the Board Chair and Executive Director.
- 10. Hold one another accountable for this covenant and agree to resign if significant and/or consistent violations of its provisions occur.

#### Board Member Fiduciary Duties

- **Honesty Duty** Act with honesty, in good faith and in the best interest of the organization.
- Loyalty Duty Work exclusively for the best interest of the organization and avoid conflicts of interest.
- Care Duty Act diligently and prudently based on common sense and ethical values.

- Diligence Duty Remain informed so that you can enquire appropriately about the ordinary management of the organization's affairs – assessing risk.
- Skill Duty Prudence based on experience that a specific board member may possess – use special skills for the benefit of the organization.
- Prudence Duty Act carefully in trying to foresee a proposed action's likely consequences - good, bad or indifferent.

#### Annual Performance Review

One thing Boards often overlook is the need to evaluate the performance of the CEO/Executive Director/Manager at least once a year. Two or more times a year may be necessary if there is a need to improve performance. There are many ways to evaluate performance. The most important thing is that there be agreement between the Chair and CEO/Executive Director/Manager a year in advance, on what the parameters of the evaluation are going to be. Performance evaluation can include subjective evaluation, but most importantly, there should be measurable goals and targets set upon which the manager will be evaluated. Those could be financial, strategic or outcomes of the organization.

Likewise, the CEO/Executive Director/Manager must evaluate the performance of the other staff under his or her direction at least annually and advise the Board that the evaluations have been done.

A Board should do a self-evaluation of its effectiveness annually as well as an evaluation of the Board Chair.

#### Top 5 Governance Roadblocks

- 1. Bureaucracy
- 2. Slow decisions
- 3. Low trust
- 4. Inconsistent performance review and evaluation
- 5. Founder syndrome

### Board Responsibilities and CEO/Executive Director/Manager Responsibilities

The Board (Governance)	The CEO/ED/Manager (Management)
Leadership/Vision/ Strategic	Management/Operational
Establish Policy	Implement Policy
Implement and adhere to Board process policies	Implement operations in compliance to Board policy
Issues affecting the entire organization	Issues affecting individuals
Long term	Day to day

#### Policy Manuals

Board policies, committee mandates, job descriptions and executive limitations should be written and in a Board Policy Manual.

The CEO/Executive Director/Manager must be able to demonstrate that there exists a comprehensive Staff Policy Manual.

#### Summary

Young farmers have much to contribute and should offer their talents and time to national, provincial and community organizations that do good work. Service on a board not only improves the individual, it also improves the organization and the profile of the industry being served.



Casey Langbroek, FCPA, FCGA, is privileged to have 45 years of experience in the accounting profession, building, growing and nurturing the accounting firm he is Senior Partner of. "LLT LLP" (www.lltcga.com) provides accounting, taxation and business consulting services to clients located in British Columbia and other provinces in Canada.



## Non-monetary benefits

In speaking with agricultural employers from across Canada, we learned many farms offer their employees non-monetary compensation in addition to their regular salary. Non-monetary compensation includes anything offered to employees in a non-cash form.

#### Health-related benefits

Many agricultural operations offer some form of health benefits package. Health benefits may include:

- Mandatory Workers Compensation (in most provinces);
- Paid sick leave;
- Prescription drug coverage;
- Dental plans;
- Vision plans;
- Physiotherapy;
- Massage therapy;
- Mental health coverage; and
- Life and disability insurance.



#### Transportation-related benefits

Many agricultural operations assist employees with transportation costs or specific transportation-related needs. Transportation-related benefits include:

- Fueled farm trucks for personal use;
- Mentoring for Class 1 license holders;
- Use of farm vehicles for practicing or test-taking for Class 1 licenses;
- After-hour access to mechanical shops for repair and maintenance of private vehicles;
- Transportation to and from work fields;
- Free or discounted bulk gas;
- Access to ranch vehicles;
- Vehicle lease-to-own plans;
- Travel allowances;
- Vehicles for rent (employees pay for registration and plate);
- Larger truck usage for moving purposes;
- Subsidized bus transportation; and
- Incentives for car pooling.

#### Lodging or discounted lodging

Many farm operators provide housing for their workers at market or below-market rates. Some operators also offer relocation assistance.

Some farm operators provide free lodging or lodging assistance to employees that travel many hours to and from work. For example, several farm operators have an on-farm apartment that is offered to those working late shifts, while others offer free RV parking with electricity, water, and sewer hook ups for employees who choose to spend the weekdays at the farm rather than travelling back and forth each day.

Another form of lodging that was mentioned was specific to animals. Several farm owners offer housing for farm workers' animals such as horses, chickens, and pigs.

#### Free food or discounted food

Yes, farmers feed the world; they also feed their employees. Free food and discounted food is a perk of the job offered by many agricultural operators. Farm owners feed their employees meals during the busy season. These meals may be shared in the farm house or delivered to the field. For operations without a field, onsite cafeterias may be available. In addition to feeding workers during the harvest, farm operators provide free or discounted food to their employees at other times of the year as well. For example, many operators hold staff BBQs, Christmas dinners, appreciation dinners, and birthday celebrations. Several hold monthly pizza parties or 'lunch and learns'. Many offer free coffee, tea, lunch and snacks on a daily basis. Some farm operators give their employees free product, for example, free side of beef, milk, chicken, pork, mushrooms, or food from the family garden. Others bought the first week of groceries for their Temporary Foreign Workers upon arrival.





#### Education and training assistance

Many farm operators have a yearly training provision which covers necessary training such as First Aid, Occupational Health and Safety, CPR, and WHMIS. In addition to these ongoing requirements, farm operators also provide training on equipment air seeders, sprayers, and combines and support training for heavy equipment truck driving.

Farm operations all offer valuable on-the-job training relating to Canadian modern agricultural production practices. Some farm owners go beyond this and offer monies for skills upgrading and personal development such as supervisory and leadership development training which can include regular HR Team meetings. Several owners we spoke with provide an educational reimbursement to their employees while others offered one-time scholarships to the children of their employees who were pursuing agricultural-related degrees or diplomas.

Farm employers also offer new hire orientation which can include job shadowing and a buddy system introducing recruits to best management practices on the farm and occupational health and safety rules and procedures. Second language training is also offered on many farms that hire new immigrants and Temporary Foreign Workers. Farm employers often pay the costs related to this training and can provide time off for classes if shifts run late. Farm employers with new immigrants and TFWs often translate communications into multiple languages other than English and French.



#### Vacation or flex time

Several operators mentioned paid vacation time or flex time when asked about non-monetary compensation benefits. Flex time refers to a flexible hours schedule that allows workers to alter workday start and finish times. Depending on the type of operation such as livestock operations which require 24/7/365 animal husbandry support or during seasonal peak periods, this may not be possible, but for some, it is a valuable incentive. Other examples of flex time offered included: Sundays off; birthdays off; extra time off at Christmas (or other holidays); mother's shifts (shifts that begin later in the morning to allow for school drop off and end earlier in the day to allow for after-school pick up); and student shifts (shifts that accommodate secondary and post-secondary student class schedules).



These are only a few of the ways agricultural operators have put a lot of thought into rewarding employees, aside from monetary rewards. If you would like to learn more about these ideas or learn more ways to provide non-monetary compensation, please contact CAHRC at info@cahrc-ccrha.ca. In addition, the AgriHR Toolkit contains information and case studies on this topic as well as many other areas of HR Management. For more information, please visit hrtoolkit.cahrc-ccrha.ca/



## Protect your farm



Practising farm safety protects your farm, not only from devastating injuries or deaths, but also from the financial fallout of these same injuries and deaths.

The financial consequences of injuries and deaths on the farm can be significant and can result in the loss of the operation due to lost time, loss of capital, loss of human resources and loss of reputation.

Canadian farms, regardless of size, need a safe work culture to maintain and gain public trust and the social licence to farm. A part of maintaining public trust includes keeping those that work, live and visit your farm safe. Having a safe farm is achievable, makes good business sense, and is something to be proud of.

There are simple ways to mitigate hazards on your farm and improve the safety of everyone who works, lives, or visits your farm. And you don't have to do it alone.

Within farming communities and farming organizations, there are benefits in working together. Using collective knowledge and drawing on the strengths and experiences of the members can enhance the quality of safety planning for your operation. Teaming up to deliver personal development and training can decrease the burden on each individual operation. Asking a community member for advice or for constructive criticism can make your safety plan better and increase the safety and profitability of your farm.

On the following pages you'll find instructions and a template to develop a General Policy Statement on Health and Safety for your farm. It's the first step in creating and implementing a farm safety plan. It guides your farm's approach to safety and will be the cornerstone in any farm safety plan you develop.

#### General policy statement for your farm

Developing and communicating a general policy statement on health and safety for your farm is the first step in creating and implementing a farm safety plan.

#### What should your policy include?

- The health and safety philosophy of your farm.
- A statement that substandard health and safety performance will not be accepted.
- Your commitment to preventing occupational injuries and illnesses.
- ✓ The objectives of your health and safety program.
- Your expectation that everyone shares the responsibility for health and safety and that everyone on your farm has a level of accountability for their own and others' health and safety.

Your policy should be relevant to your farm. It might be tempting to copy a general policy statement that sounds good – don't. Rather, take the time to work with others in your community (be it your physical community or a community of like-minded producers) and examine potential ideas and philosophies. Then use those ideas to create

your own customized policy statement. The most effective policy statements are made known to everybody that lives, works or visits on your farm. (Including all those who provide services to your farm.) The policy might change as your farm changes, as your family grows, and as your community and your philosophy evolves.

#### Some sample safety philosophies:

- Everyone has the right to work in a safe and healthy workplace.
- **✓** Everyone has the right to refuse unsafe work.
- ✓ Health and safety is everyone's responsibility.
- All hazards will be identified and controlled through regular inspections.

Now you're ready to create your own health and safety policy statement. Use the space provided on the following page to declare your safety philosophies. Then, sign and post the policy as a declaration of your commitment to your farm, your family and yourself.



## HEALTH AND SAFETY POLICY STATEMENT

NAME or FARM	NAME:	
MY COMMI	ITMENT:	
	n committed to providing a safe and healthy work environment for ev o lives, works or visits on this farm.	eryone
am	cognize the duties, rights and responsibilities of myself and all worker committed to ensuring that everyone on my farm is aware of these and itions necessary to protect their own and others' health and safety.	
THESE ARE MY S	SAFETY PHILOSOPHIES THAT I PROMISE TO UPHOLD TO THE BEST OF	MY ABILITY:
The health and s	safety of every person on my farm is important. This is my commitme	nt to my farm, my
NAME:	DATE:	
For more inform	nation about creating a farm safety plan,	CASA   ACSA

contact the Canadian Agricultural Safety Association at <a href="mailto:info@casa-acsa.ca">info@casa-acsa.ca</a>.



## Fill your wellness tank

By Casey Berglund

**SELF-CARE** 

Self-care is any activity you do intentionally to take care of your mental, physical, or emotional wellness. It's not something you force yourself to do or something that feels like another thing on the to-do list, but it's something that you choose because it "fills your wellness tank" so that you aren't running on empty.

#### Why is self-care important?

#### Self-care practices help:

- Give you energy
- Make you more productive
- Improve immunity
- Improve positive thinking
- Improve your ability to be compassionate with yourself and others
- Make you less susceptible to issues associated with distress, anxiety, depression
- Help you access your authentic self
- Allow you to give more to others
- Prevent burnout
- Contribute to your overall health and happiness.

#### How do you practice self-care?

- ☑ Get enough sleep so you feel rested
- Make space in your life for naps if you don't feel rested
- Eat breakfast
- ✓ Practice breathing exercises
- Move your body even a 10 minute walk can make a world of difference
- ✓ Take a warm bath or shower. Warm water is calming and soothing to your nervous system.
- **✓** Take a break from work
- Enjoy a hobby
- ✓ Try a yoga class
- Call a friend for support
- Get creative! Write, colour, craft, make music, sing, etc
- Journal
- Nourish yourself with meals that are satisfying and colourful
- ✓ Spend time in nature



Casey Berglund is a registered dietitian, yoga teacher, and media spokesperson who believes all people deserve to feel free in their relationship with food and confident in their bodies, so they have more energy for the important things in life. She owns Worthy and Well Inc., where she inspires smart and soulful individuals to eat mindfully, love their bodies, and live consciously. Get involved by taking part in the free 10-day Mindful Eating Kickstart or claiming your free ticket to the Yoga for Mindful Eating and Living Interview Series worthyandwell.com.



## Connecting with



### CONSUMERS Speaking up about agriculture

#### Consumers - the slow erosion of trust in agriculture

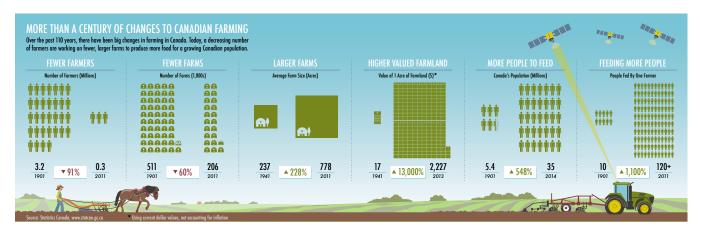
As Canada moved into the 21st century consumers started to place a higher emphasis on their food. Now they want to know how it is grown and are requesting different options based on their perceptions of the 'right way' to do it.

Historically, consumers haven't put a large portion of their time or effort into analyzing the food system or farm production practices. However, with the increased use of social media tools as a platform for advocacy, communications and marketing, food production has become a stronger focal point. Special interest groups and false information campaigns have negatively influenced perceptions in segments of our population, resulting in an

increased level of distrust for modern farming practices and the scientific progression of agriculture.

This erosion of trust in the agriculture industry has resulted in a shift in consumer purchasing patterns and increased pressure on farmers to adapt their production methods. Unfortunately, this movement is more strongly based on emotion-based consumer perceptions versus peer-reviewed scientific analysis.

#### Disconnect - Where do Canadians get their information?

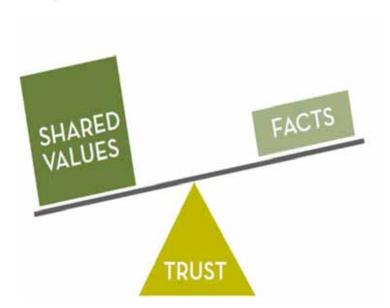


Survey results from the Canadian Centre for Food Integrity's (CCFI) 2017 Public Trust Research show that access to healthy, affordable food is the highest concern among Canadians. The survey goes on to indicate that 93% of Canadians know little or nothing about modern agriculture but 60% want to know more about farming practices and how their food is grown. This is both a threat and an opportunity for the agriculture industry.

Over the last 60 years there has been a large-scale shift of the Canadian population from rural settings to urban

ones. In 1931, roughly one-third of Canadians lived on a farm, while now less than 3% have a direct connection to farming. This results in curious consumers not being able to ask their family or friends farm related questions and having to seek answers elsewhere. This void is often filled through Google searches, social media feeds, or seeking out other personal trusted sources, such as family members who may be unqualified to provide a factual answer but still have strong opinions around farming. The resulting effect is a skewed or altered perspective that creates values around food issues that are not rooted in facts.

#### Solution - Building trust in agriculture starts with you!



Leading with shared values is 3-5x more important to building trust than sharing facts or demonstrating technical skills/expertise



Consumers can sense that food production has changed, but don't understand how or why. There have been huge technological and scientific advancements since the early pioneers hand sewed one acre at a time, but consumers haven't been kept in the loop on what they were or why they were necessary. This is something our industry needs to address going forward. We have an opportunity to have engaging conversations with consumers about farming, technology and food production now, while they're asking for answers. However, these conversations must be truthful and transparent and focus on building trust not pushing information.

Starting from within the agriculture industry, all stake-holders must identify how they can relate to consumers on a shared-value basis (parent to parent, student to student, volunteer to volunteer, etc.). Only by leading with your heart, connecting through similar beliefs and parallel principles and adding your knowledgeable and educated perspective on food and farming, can authentic and mind-changing conversations occur.

Remember the golden rule, treat others as you wish to be treated. Respecting others' opinions will result in more meaningful conversations and pave the path for rebuilding trust in agriculture!

#### Commit to engaging one person per week

Whether it's the employee behind the meat counter, the parent beside you in the stands at your kids sporting event or the stranger sitting beside you on the plane... consumers have questions about food and you have answers. You may be the first farmer they've ever met!





#### **LEADERSHIP**

By Kelly Dobson of LeaderShift Inc.



## Developing Vour leade leadership is essential for success

Is your leadership good enough or is it holding your business back? Knowing where your leadership capacity sits is difficult to determine without help, but is crucial if you want personal and professional success.

Management focuses on doing things correctly through measuring results, devising and executing strategies to achieve targets. Leadership determines what you really want your business to achieve and why, and therefore determines how you manage. The truth is, numbers can only tell you what did or did not happen. They don't explain the motivation for choosing to do what you did, and the way that you did it. Businesses with a strong business plan can fail to achieve their goals or suffer considerable setbacks as a direct result of their leadership capacity being over

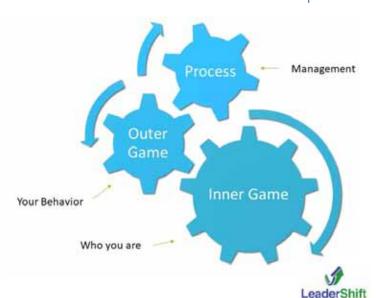
matched to the demands of lofty goals and complex, risky strategies. When leadership capacity is ignored, problems executing any business plan usually follow. Leadership matters - always. It especially matters if you need to partner with others above you, below you, or outside of your business to achieve your goals.

#### Facts:

- Leadership does not develop quickly on its own, but can be developed into a stable competitive advantage.
- Leadership is a perishable skill that must be continually nurtured and developed to be effective, especially in a world that is increasingly being experienced as volatile, uncertain, chaotic and ambiguous. It is possible to be a highly effective leader, and then not be.
- ✓ Under performing leaders usually don't know they are under performing, over value their leadership effectiveness, and don't have an active leadership development plan.

Highly effective leaders develop and continually grow their leadership through expanding their consciousness, both inwardly and outwardly.

#### Three Areas of Leadership



### Seven signs your leadership skills may be holding you back from getting what you want:

- You are reluctant to hear what others observe, think, feel, and want, especially if it conflicts with your thoughts, feelings and wants. You sense others are reluctant to tell you what is really going on.
- 2. Recently, you have lost a key employee and while they left on good terms, you have a feeling the real reason for their departure was left unsaid.
- You have good people working with you, but lately you have noticed they are performing below their potential.
- 4. You have one or more key external relationships where, for some time, what you have been getting and what you have been receiving are not the same thing.
- 5. You have an idea or desire that you really want to pursue (business or personally), but you can't seem to get started.
- You have a recurring negative pattern in your business. You have tried to fix it, and things get better for a while, but it keeps happening again.
- 7. You don't know what you truly want, and you can't remember the last time you did.

## There are no short cuts to developing your leadership.

Your long-term success will be determined by your level of commitment to developing and maintaining your leadership.

#### How good leaders develop and maintain their leadership:

- ✓ Participate in ongoing leadership development by:
  - Taking science based leadership training.
  - · Working with an accredited coach.
  - Joining a leadership learning community where leaders can develop together.
  - Engaging expertise to work inside their business to support them in leveraging their leadership.
- Understand that building and maintaining high level leadership skills is a long-term, ongoing investment like other critical business factors and cannot be achieved by attending stand-alone workshops or conferences. (Can you build your soil fertility in a weekend? Service your combine every few years?)



Kelly Dobson is President of LeaderShift Inc. a Leader development and coaching business. LeaderShift will be offering a LeaderShift – High Potential program beginning in January 2019: a blended online and residency based leadership program for leaders under 40 who are aspiring to own a business, take over a family business or attain senior management positions. LeaderShift will also be offering a LeaderShift – Transition program beginning in January 2019: a blended online and residency based program for business partners of different generations to learn, grow and perform better together.

Check out leader-shift.ca for full program and service offerings.



## Reaching out through social media

By Andrew Campbell

Every day, Canadians eat. Growing, raising, and packaging that food makes for good job security for the next generation of farmers. But do consumers know and, more importantly, trust what you are doing?

That trust is going to be vital to ensure Canadian farmers are able to produce their products in the way they think is best, and not in the way an internet meme thinks is best. But it requires work.

Social media is a double-edged sword. We are able to reach thousands of customers like never before. We can see into their lives and what concerns them, and they can see into our farms, homes and businesses. Unfortunately, animal rights and environmental activists have the same tools and are using social media to convince consumers that modern agriculture is doing more harm than good. Here is how you can counter those.



#### Stay positive

Farming can be tough. You'll always have bad days to go along with the good ones. While it is still important to talk about those tough experiences, you want to ensure that you remain optimistic. After all, the most shared content includes the pieces that make people laugh, feel inspiration and leave them awestruck. We're lucky enough to experience all of that.

#### Why are you farming?

Too often, we talk about the science and safety of the processes involved in agriculture. None of those are the reason you farm. You farm because of family. Because of the outdoors. Because of the livestock, and the lifestyle and the sense of pride at the end of the day. Those emotions are what people will respect and connect with. Talk about them.

#### Use the lens!

We are fortunate to have the ability to capture almost every moment we experience with a camera in our pocket. Use it! After all, the content you like, share and interact with more is the same type of content other people gravitate towards too – and that's the content that has a photo or video attached to it.

#### Know your audience

Are you aiming to use social media to connect with your farm friends, or your consumers? It is almost impossible to do both. The language and lingo that we use in agriculture is impossible to decipher for most people – so avoid it at all costs if you plan on having an audience of consumers. It may be easiest to pick one social network for all your farm conversations and another network for your advocacy one.

Once you have that network chosen, pay close attention to who your audience is and whether or not your content is resonating with them. If it isn't, learn why not. It could be as simple as the time of day you post (guess what, not everyone is up to like your morning milking post at 5 am), but may be flicking through their feed on their noon-time lunch break. Which colour of tractor you drive probably doesn't keep them up at night, but they may be interested to know why you need one, that your kids ride along with you (seat belted in a buddy seat of course) and that just because they are expensive, doesn't mean you are rich.

Finally, by knowing who you want to connect with will give you a clearer idea every time you post what type of content they want to share. Is your audience teachers in need to classroom materials? Dieticians in need of answers to clients' questions? A father wanting to better understand the methods behind the production of the lunch he's packing for his child? Knowing a bit of how a person thinks, works and lives can help clear the air to determine what to post.



#### Busy days are the best days

Seeding is wild. Calving is exhausting. But these are the best opportunities to highlight what you do. The inside of your machine shop isn't going to get people excited (unless your decided audience is mechanics) like seeding at sunset or seedlings sprouting up while you scout. Take a few moments to stop, grab a shot of the environment around you, and then when you have the time, get posting it. At least then you'll have the right visuals to go along with what you are doing.

At the end of the day, we have to realize that public outreach is just a part of modern farming. No one is going to stand up for agriculture, but the people involved with it. At the same time, there are lots of people happy to tear it down. Get out there, and take the opportunity to show people what you do so that they can make the most informed decisions possible about what to put on their plates.



Andrew Campbell is a farmer, with a passion for agriculture advocacy, social media and new technology. With the farm, known as Bellson Farms, he and his family milk holsteins and grow corn, soybeans, wheat and hay in Southern Ontario's Middlesex County. With all kinds of information available about modern farms, and not all of it being true, Andrew is keen to make sure people get the full story on what farmers do on a daily basis, why they do it and what they care about. He's been featured on CBC, CTV, and other media outlets across Canada for his work in opening up his farm with pictures on social media as the FreshAirFarmer.



## Make the most of it



People are interested in not only where, but who their food comes from. This is our time to shine.



In the last few years, you may have noticed a steady stream of ag-pride messaging from a variety of sources, both inside and outside the industry (McDonald's "Thank a Farmer" campaign, for example). You've heard the message, loud and clear. Speak up. Tell your story. Show your ag pride. For some of you, the message may be feeling old. You get it. But it's not just some marketing ploy, or the latest bandwagon to roll through town. It's important and it's a message created, in large part, as a response to curiosity from people outside of agriculture.



People are interested in the food they eat. They want to know where it comes from, who grew it and how it was grown. This is true for people inside and outside of our industry. It's a shared value that's both common ground and a starting line. They want to hear what we have to say. They want to hear from the source. That's us. We're a source of:

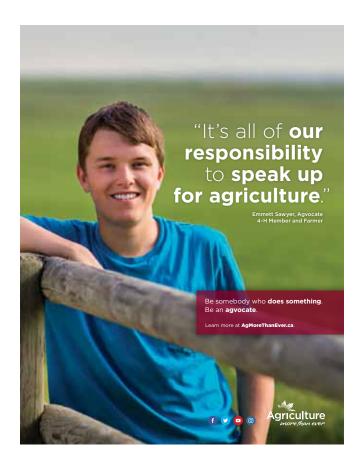
**INFORMATION:** Tell your story with passion and conviction. Build trust through transparency.

**INSPIRATION:** Practice persistent positivity.

**SUPPORT:** Stand up and speak up together, for every sector. We have an amazing opportunity to be a permanent part of a positive dialogue and help shape people's relationship with ag and food. Because the conversation will go on, with or without us.

#### Being an agvocate is a big deal.

It's an important call to action, worth repeating and kept top of mind. Don't tune it out. Turn it up. Looking for help speaking up? Check out **AgMoreThanEver.ca** – it's filled with resources, tips and tools to help you be an effective agvocate.





Ag More Than Ever is an industry-driven cause made up of hundreds of partners and thousands of agvocates from across the country, all committed to improving perceptions, dispelling myths and creating positive dialogue about Canadian ag. We provide resources and a forum for agvocates to tell the real, positive story of Canadian ag. AgMoreThanEver.ca.



# Managing a farm today requires excellent planning and execution

By Larry Martin

This starts with having a focused strategy and a written plan. Many people in farming, and other small businesses, often say they "have a plan in my head and don't need to write it down!" There are several problems with this argument:

- Today's operating environment is too complex to be able to capture all the market opportunities in your head, let alone all the complexities of operating your business
- Most family businesses have multiple family members and several employees. One central decision maker with it all in his/her head means no one else has input. While the senior "partner" may have rank, everyone is affected. Besides, it is hard to imagine a plan that can't be improved with input from more than one source.
- Family members and employees find it easier to focus their efforts if they know where senior wants the business to go. Many of us know from family experience that it's impossible to learn by osmosis!
- Writing helps thinking: most people are able to think bigger and more deeply if they write. Putting it on paper gives the opportunity to gain perspective, helps the mind see relationships, and helps to test logical connections.
- Lenders and investors are more likely to inject capital if they have a written plan with measurable outcomes.
- Writing it down and having a record makes you more committed to doing it.

Strategy and Planning Section sponsored by:



#### What's in a plan?

Ultimately, a plan records what actions people are expected to perform in their work, how resources will be used, when things need to be finished, and what measures will be used to gauge effectiveness.

In defining these things, the important question is what are we trying to accomplish, and how do we avoid actions that waste time and produce inferior results? The "why" should determine what will be done and what's a waste.

A process for getting to the why and the what is characterized in the diagram. This flows from how Harvard University's Michael Porter and Joan Magretta define strategy. Strategy is:

"The set of integrated choices that define how you will achieve superior performance in the face of competition"

The obvious question with this is, what is "superior performance"? Porter/Magretta say it is earning higher returns on invested capital than the industry average. Thus, the

Value Proposition
Vision

Operating plans and implementation:
Actions, Accountabilities, Timelines,
Resources Required, Measures

Feedback/Management Systems
Management, Supervision, Coaching, Incentives, Rewards

strategic question is, if the average return on assets for the farming industry is 5-7%, what do we need to do to average 8% or more over time. Ironically, while the word "average" appears twice, the answer is that being average won't cut it. Developing strategy gives you what is required to make your farm uniquely more profitable than the average. The diagram outlines a five-step process for developing a plan to make you unique and more profitable.

#### What opportunities are being offered by your external environment?

Increased profitability can only come by adding value to inputs you use. Value is added only three ways: additional sales, higher selling prices, or lower costs. The first two are driven by your market, which is external to your farm business. Reducing costs can be either internal (i.e. you have control over your processes), or external (e.g. you adopt a cost reducing technology).

So, it's important to understand the external environment. Four questions will help you to systematically understand it and identify opportunities.

1. What changes in domestic or international laws, regulations and policies may offer opportunities?

This changing landscape affects opportunities for new sales or improved prices (e.g. market access to Japan in

CPTPP, or benefitting from government environmental programs). Of course, it also removes them as recently seen with higher minimum wages and energy costs.

#### 2. Are there changes in technology or socio-economic factors that can provide opportunities?

Obviously, changes in technology may affect your costs, but some may affect your market. For example, technology that separates grain or milk into component parts may give new opportunities. Similarly, Canada's population is aging and becoming more Asian. Does this give opportunities? It may give export opportunities. One person discovered that local culls for his major crop is the preferred trait in another market, providing the opportunity to sort and sell at a premium in both.

#### 3. What are your competitors doing that you can emulate or do better than them?

Are other farmers doing extra things to add value for their customers from which you can learn? Conversely, are there things they could do, but aren't?

#### 4. What can you do to add value for your actual or potential customers?

All of the other questions relate to this one. And you

can actually ask them directly. Better yet, get them to give you an idea of what you can do to make them better off. It may be ways to reduce supply chain costs such as just-in-time delivery, providing correct quantities at the right times, organizing other producers in a contractual relationship to ensure quality and quantity and reduce procurement costs. It may be sorting to provide specific traits. It may be moving downstream to process and sell directly to end users. The right answers depend on understanding your markets.

#### After identifying opportunities, what is your value proposition, i.e. how will you position your farm to take advantage of them?

Positioning is about what kind of value your farm will create and how it creates it. What kind comes from your Value Proposition, which has three parts: what products and services will you sell; to what set of customers in the overall industry supply chain; and at what relative price?

The Value Proposition defines how you will focus the business out of all the opportunities it is offered – i.e. what you will do and what you won't do.

Two successful Canadian farms are successful but are positioned very differently. One is several thousand acres in the Prairies, the other less than 500 acres near a major city. The Prairie farm uses its size and its production and managerial skills to produce large volumes of very high-

quality grain, oilseed, and seed crops. Value is added by producing the crops, but also by delivering large volumes on time, and earning premiums for quality.

The second farm adds value by using its production and marketing skills to contract households for CSA (Consumer Supported Agriculture) deliveries of local produce to their homes, providing agricultural tourism (through things like its corn maze) and experiential services like u-pick and shopping at the farm.

These farms are positioned differently because of the choices made about how they will add value. The specifics of **how** they do things comes from step 4.

#### Undertake your internal analysis: How should you organize your operations to gain competitive advantage in your value chain?

The internal analysis examines what you control to focus on how to deliver on your Value Proposition consistently and at the lowest possible cost. This is most thoroughly done by careful analysis of your internal value chain. Porter defines the value chain as having primary functions (bringing inputs into the business, production, distributing products to customers, marketing and sales, and service) and support functions (procurement processes, human resources, technology development and firm infrastructure – eg succession and decision making). All of these can add value. Each should be examined in depth to determine

where you should make changes in order to deliver consistently on your Value Proposition.

The internal analysis also includes a financial analysis that addresses both your operational efficiency and your financial performance and position. They have huge implications for your plan. For example, if operational efficiency is low and/or debt load is exceptionally high, they are strategic areas that need to be addressed before growth is considered.

#### Define three to five strategic intents required to deliver effectively on your value proposition

These are the three to five major strategic areas your internal analysis says will make the greatest impact over the next one to three years. They may be strengths you already have but need to leverage – e.g. capital equipment or human resources that can generate increased profits. They may be weaknesses you need to overcome: e.g. increasing production or logistical efficiency, acquir-

ing new skills, reducing debt, or improving management structures and processes.

The limit is three to five areas because human organizations can't focus on more than this, including multi-billion dollar international companies. Focus is the point of the exercise.

#### Define actions, accountabilities, time lines, resources and measures for each strategic intent

This is the final step where you turn your Strategic Intents into actions – i.e. where planning meets implementation.

For each Strategic Intent it is useful to lay out precisely, usually for each calendar quarter, **who** is responsible to do what, by **when** the actions should be taken; **what** resources (time and capital) should be used; and **what** measures

will be used to gauge success. For example, one set of actions may be to change varieties of a crop because a new variety is expected to increase yield and quality, thereby reducing cost per unit of the crop and increasing revenue. This requires three sets of measure: did the variety get changed when it was supposed to; were yields increased so unit costs were reduced; were the returns higher.

#### Summary

This brings us back to the original point that planning is deciding your focus in allocating your and your employees' time and resources. The process presented here can be effective in determining that focus. By elimination, it also defines what you **won't** waste your time and resources on.

How you use your human and capital resources is driven by your business goals. In turn, these are driven by your value proposition. Part of the uniqueness that makes your business more profitable than the industry average lies in how you want to deliver value to customers. The other part is in the focusing how to organize and operate the business to deliver that value most effectively.

The process also provides the format for regular updates, which will be the subject of another Guide.

We hope the framework will help focus your farm business for sustainable profits.





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### Successful By Annessa Good intergenerational farms do not happen by magic

Congratulations! How wonderful that your family's farming legacy has the opportunity to be passed to the next generation. As exciting as this opportunity may be, it is also met with daunting thoughts such as monetary considerations, family relationships, timing, opportunities - the list is endless.

Income is important but sometimes it is overshadowed by the need for long-term clarity and opportunity. Efficient and effective farm management based on sustainable resources and strong interpersonal relationships will be the competitive advantage for farms today and into the future. Therefore, it is important for you and your family to ensure that this transition is positive and successful for all parties. To do so requires Operational Clarity.

1) Operational Clarity - Roles and Responsibilities:

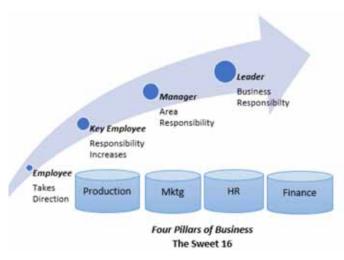
Clarity can resolve many issues within an intergenerational farm. Although you are not "suiting up" and heading to your office every day, as soon as you step out of your house in the morning, you are going to your "workplace." Thus, business culture and business rules are essential.

Many families never have proper discussions about this topic and therefore hard feelings arise primarily due to different expectations. Expectations do not only revolve around financial considerations such as compensation but everything from time commitments, work ethics, personality, patience and opportunities etc. Therefore, have the conversation! Be proactive!

- Work per hour is determined
- Different roles receive different pay (i.e. \$45 per hr. for mechanical work vs. general labor)
- Lead an area (Mktg) may be \$x dollars not by hours

**Business Rule:** You get compensated for what **Value** you bring to the business.

**VALUE** = CASH + Cash Equivalents + Equity



**Roles:** As can be seen in the picture above, there are four main pillars of business. No one can be a master at all things, especially at the beginning! So, where do you plan to fit in your organization in five or ten years and what do you need to get there? It is important to have assigned roles within your operation, so that you can advance, for example in marketing, and then move on and learn the ropes for finances. Risk Management includes ensuring that if a key employee quits or retires, then that role can be filled. Thus, sitting down and creating a plan with both generations outlining the steps and expectations of each role and the progression of when role responsibilities will

change – will clear up many questions in the future. Just like when you start a new job and are given its job description and then a new description is created when you are promoted, the same theory should be applied within Succession Planning. Clarity fosters responsibility; responsibility fosters management, which transforms into leadership!

Business Meetings: Another area that can cause a lot of stress between generations, is when introducing a new idea and/or reviewing the past year's successes/failures and what (or the deemed "who") contributed to the result. Thus, to help mitigate these "conversations," which can have a tendency to derail from the focus point, treat these gatherings like a proper business meeting. Farm members should meet at least once annually, preferably quarterly, to discuss what went right and what went wrong within their area of operational responsibility. Even parents have to admit errors! As nothing always goes right 100% of the time, this exercise provides wonderful learning opportunities.

In the case of a major new idea and/or a significant review of current operations, that member will present a **written submission** of the research he/she has conducted, which will be circulated prior to any verbal discussion between parties. This eliminates a verbal discussion where one person (for example the child) has put a lot of effort into researching a particular area and then having the other parties (older generation) **simply say no**.

If an individual, no matter what age, has provided a professional, well-thought out strategy, then the parents need to honour that work and reply with the same effort. Having opinions be heard respectfully and allowing open communication between all parties is essential for long-term success both on the business and personal sides. This may seem "over the top" or unrealistic, however, we are trying to achieve best business practices and to learn from other successful operations. Robert's Rules, for example, are even utilized in 4H meetings. Intergenerational family farms face many difficulties, therefore following proper business practices assist in alleviating some of the stresses by separating family dynamics from the business.

#### 2) Sweat Equity:

This equity in the future can come from the operating entity and/or land equity. Each farm family is unique in this regard, but this must be addressed in a formal succession plan. If the second generation is not receiving their value to the business in cash-based returns, then their value must be recognized in equity. This recommendation is based on the idea of paper equity, that is kept track of in an "Equity Bible" (usually by the Mother). The value put on recording and honouring this, can make or break the future of the farm and most importantly, relationships. Remember this formula:

#### Value = Cash + Cash Equivalents + Equity

What this formula captures, is the value that each farm child brings to the company during a 3 - 5-year transition period. In order to credit some or all of a child's value, this imbalance may need to be compensated with equity. Remember, what parents often have in farming is tremendous amounts of equity and not tremendous amounts of cash. Therefore, it is important that the next generation understands that FARMING is an EQUITY game not a CASH GAME!

After the trial period and once the family is comfortable on both sides (having progressed through the various roles), the children will be given the formal opportunity to become an owner/manager of this corporation. At that time, the equity owed (from the bible's tracking) will be transferred into *fixed value preferred shares*. This is accomplished **Tax Free** by having the parents transfer some of their preferred share equity in the form of shares to their farming children. The sport analogy that can be utilized here, is that the farming child has finally been drafted and now is entering into the major leagues and this is their "signing bonus."

**Matrimonial Property:** Since Preferred Shares do not increase in value when received by a child and/or grandchild, these shares are exempt from matrimonial property rules (in most provinces). In other words, in case of divorce, the departing spouse is not able to capitalize on this asset transfer. **Severance:** Remember equity transferred is

equity earned. If a child decides in the future to exit the operation, an agreement needs to exist where the payout is structured. For example, 50% down and 50% for five years at 0% interest.

#### 3) Financial Management

One important area for both generations is to be conversant with good financial management. Whether talking to your accountant or utilizing online resources etc., the struggle with applying this knowledge to your actual operation can sometimes seem daunting. Ask to see your financial statements and derive if your operation is financially healthy – what can you do to protect that health?

#### 1. The first area to review is *Operational Efficiency*.

With the ever-increasing cost of inputs within a farming operation, the agricultural industry as a whole needs to focus on becoming more efficient and effective with the resources they currently have. Pull off from your Income

Statement, your
Gross Revenue and
Operating Expenses
(seed, fert, chem, fuel,
repairs, labour) (do
not include loan payments).

	Farmer 1	Farmer 2
Gross Revenue	\$1	\$1
Operating Expenses	<u>\$0.55</u>	<u>\$0.75</u>
Contribution Margin	\$0.45	\$0.25
Percentage	45%	25%

#### So, what does this

mean? How does this impact my operation? In the example, Farmer 1 has spent \$0.55 to make \$0.45. Farmer 2, has spent \$0.75 to make \$0.25. To further break it down, when comparing the two farmers, Farmer 1 has 20 cents more to cover non-operating costs such as debt repayments and living costs. For a farm with \$1.5 million of revenue, this is an extra \$30,000. Quick reference: a good target for Contribution Margin should be at least 45-50% of Gross Revenue. This is important to track year to year, as it will enable you to see how efficient your operation is.

### 2. The second indicator is **Next Year's Liquidity Position.** Within the Agricultural Industry, the Current Ratio is very important to review, however, it is more for the Bank's requirement, not for a farm to use. The Banks

use the Current Ratio to calculate their risk level, as to how much money you have on hand to pay them back. Therefore, what is missing is calculation of your operation's true liquidity position to cover all of your costs (examples listed previously) for the next business cycle. Hence, use this calculation below:

(Operating Loan + compared Cash Advances + to Accounts Payable)

(Inventory to be Sold + Cash + Accounts Receivable + Pre-paid Crop Inputs)

o The left side of the equation should not be >50%.

**So, what does this mean? How does this impact my operation?** If your calculation is >50%, if there is ever a drop in Gross Revenue for next year's cycle (drought), the risk of running very low on cash is much higher, hence your operating loan will explode!

3. The third indicator to assess is **Debt and Lease Payments.** 

Calculate: (Principal + Interest + Equipment lease payments)
< 15% of Gross Revenue (GR)

Within GRS Consulting Ltd., it has been found that if your payments are 15% of GR, this is a Caution zone. If your payments are >20%, then we have entered the Red Zone.

**So, what does this mean? How does this impact my operation?** If >20% is the case, then your operation should look at restructuring their financial position. Over the last 10 years, the agricultural Industry has been fortunate to experience high yields and prices. Therefore, once there is a turn down, this ratio becomes very important! Hence, being proactive here will prepare your operation for any adversities in the future.

4. The fourth indicator to assess is *Equipment*. Take your total Equipment Value and compare it to Gross Revenue. Quick reference: Equipment value should not exceed 1.1 – 1.25x Gross Revenue (averaged over the past 3 years.) For example, if you are grossing \$800,000 and have equipment worth \$1.3 million, you are over-capitalized.

**So, what does this mean? How does this impact my operation?** Depending upon your income and cash flow, this is of concern as if there's any fluctuations next year, your cash flow will be affected and you will not be able to make your payments! As the saying goes, there is only so much water in the barrel, if you keep drawing out, eventually it will run dry.

#### False Economies

False economies are very common where the second generation does not reimburse the parents' corporation at Fair Market Value for access to land and/or machinery. Over time, this skews the economic viability of the parent's corporation, especially when the second generation steadily increases their acres through third-party rented land. Thus, the false economies of swapping equipment for labor is front and center. This format can create misunderstood expectations, false economics and false independence!

Recommendation: Calculate the actual "BENEFIT" of this false economy. Calculate the benefit that each child receives and then a percentage of that benefit should be retained for business purposes. As a parent, it does not work to say "you should save some money" and then have no real discussion of what that number should be or for what purpose! **Equipment Purchases:** Eventually, the second generation should be buying the new equipment at a rate equal to their land base. If this shared ownership does not occur over time, some common issues/concerns that occur are: that Dad will always own the equipment and the second generation does not have a pride of ownership. In addition, the false economy of not paying for the share of equipment could create real issues in the future as financial reality has not been practiced. Therefore, by tracking the benefit, what this does is allow the second generation to increase their equipment ownership but requires them to pay for it! Thus, eliminating part of the false economy syndrome.

In conclusion, this article was created with the hopes of providing some reference points to open the communication channel between both generations. Succession Planning is a diverse topic and the aim of this article was not to focus on Estate Planning but rather provide some tools to assist in the day to day operations of your farm. It may seem insignificant to discuss these things when operating a busy business such as a farm. However, the longer these discussions are left, the bigger the issues can build. The last thing anyone wants is for someone to feel the need to exit the business due to frustrating circumstances! Being proactive in a family business can save a lot of heartache and ensures that all parties understand the expectations, which allows for a successful transition. This is what makes the agriculture industry so unique and special, multiple generations working together to be the best that they can be!

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