



The Young Farmers Newsletter

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A Growing Opportunities Initiative

Potato Venture Plans for Profit

What does it take to draw a couple of well-educated farm kids with rewarding careers in the city back to the land?

Spuds. Not the garden-variety potatoes – mashed, heaped on a plate and smothered in gravy – but the kind that become french fries.

Cousins Barry Watson and Brent Metcalfe of Treherne are rewriting the book on family farming and they're doing it with potatoes. This duo is the energy behind WM Ventures Inc., one of the farming operations that took up the challenge when Manitoba's processing potato industry announced expansions five years ago.

For Barry, now 33 and Brent, now 28, potato production represented an opportunity they didn't see in the traditional grain and livestock operations run by their parents. The Watson and Metcalfe potato venture started with a serious look at their assets. They had known for at least a generation that their land base was suitable for irrigated potato production.

But having the necessary physical assets is only part of the equation, management is also key. Barry and Brent brought a powerful combination of education and off-farm business experience to the mix. Brent has a degree in agri-business from the University of Manitoba. He was farming during the summers and consulting with Meyers Norris Penny Ltd. during the winter months. Barry has a degree in agricultural economics from the same university. He was working in agricultural lending with the Canadian Imperial Bank of Commerce.

"The banking experience certainly gave me the tools I needed when it came to structuring the business," says Barry. The two men have designed WM Ventures Inc. to spread the management load between partners, delegate responsibility to appropriate staff and ensure there is a good flow of information and accountability within the organization.

While less involved in day-to-day management, Barry's father is part of the senior management team when major decisions are considered.

The two families have a long history of working together, a quality that helps immeasurably when difficult decisions must be made. Both Barry and Brent had some exposure to the potato industry through their work with clients.

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“Well-managed potato operations historically have provided a good return on investment,” Barry says. “It certainly looked to us at the time that we could enter the business, pay ourselves a wage for management and earn a return on investment.”

They started crunching numbers during the spring of 2002. Over the next 18 months, they both talked to long-time potato growers in the province, grilling them about the industry, production agronomics and business structure. What emerged was a business plan that rolled appropriate assets from the two family operations into an incorporated company with a potato production arm – but with flexibility to expand in other directions set by the management team.

WM Ventures Inc. landed a production contract with Simplot for 630 acres (252 hectares) of potatoes in 2003. They expanded their potato production to 800 acres (320 hectares) this year. The family’s business also includes a hog feeding operation that is undergoing expansion. Their hog finishing capacity increased from 3,000 to 4,500 hogs this year, and they are in now setting up a second hog-finishing site for 3,000 head.

Three production cycles into potato production for the duo and it’s a case of: So far, so good.

“We think that there’s opportunity for probably a better return than in traditional grain,” Brent says. “But it’s a riskier return. There’s no question there’s a lot more dollars at risk in this

industry.” It’s also more labour intensive. “We’re working as hard as we were with 6,000 acres of grain on 800 acres of potatoes,” he adds, “and we’ve got a bigger crew to manage all the time.”

Potato producers face production risks similar to traditional commodity crops – weather, disease, pests – but the potential losses are much higher.

As well, the potato industry in North America has become more volatile over the past three years due to changing market conditions and the appreciating Canadian dollar.

“The margins are thin right now,” Barry says. “I think there’s still an opportunity to get a return, but you need to achieve a high quality crop to get that.”

Experience and education help build the business

Both partners say they have enjoyed building a new business, arranging financing (including with the Manitoba Agricultural Services Corporation), negotiating with processors, constructing storage, developing irrigation, buying equipment and managing staff. Both credit their experiences in the work force after university as a huge help when developing their business plan.

“Education is important,” Brent says. “The education didn’t teach us how to farm, or teach us necessarily how to run a business. But it gave us the tools to be able to figure out how to do it and the opportunity to have the kind of jobs that we had, which taught us a lot of these things.”

Ever conscious that the success or failure of this venture has a bearing on their parents’ retirement and their siblings’ inheritance, Brent and Barry have adopted a strategy that tries to mitigate the risks and maximize the benefits for all family members.

“We’re not operating with big cash margins by any stretch,” Brent points out. “We borrow as much money as we can while risking the least amount of equity.”

Prior to setting up their operation, Brent traveled with a group of farmers to Alberta on an irrigation tour organized by Manitoba Agriculture, Food and Rural Initiatives (MAFRI). “Probably the biggest benefit was the connections that I made with other Manitoba potato growers who were on the tour,” he says, “as well as with MAFRI and PFRA representatives on the tour.” He adds that the connection to other growers helps them grow better crops, make better infrastructure decisions and better understand the industry.

And when it came to developing their own irrigation network, Brent points out that the MAFRI and PFRA connections helped them hook up with the right resource people and assistance programs.

External expertise aids operations and decision-making

WM Ventures continues to rely on Manitoba Agriculture, Food and Rural Initiatives to help with their cost-of-production estimates. They are also getting advice from extension workers as they move through their Environmental Farm Planning process. Their farm has been the site of weekly field extension meetings hosted by the province to discuss irrigation and other production-related questions and both men have attended these meetings at other sites. They also rely on a private agronomic consultant and their processor for production information.

Brent says they don't shy away from spending money on outside help, whether it is related to agronomics, finances, or legal issues. In addition to a full-time receptionist operating out of their office in downtown Treherne, WM Ventures has four full-time mechanical and field staff and two summer students.

The planning ahead never stops. They spend a couple of months every winter rewriting their plan – all 200 pages of it – to make sure they understand what it is that is driving the profitability of their business. They believe that understanding production costs and returns from operating efficiency are the two most critical factors determining the future success of their business.

“A lot of people talk cost of production,” says Barry, “but I don't know how much time they actually spend going over the books and figuring out what their true costs are.”

The process draws the partners and extended family members to frank and open discussions over the business's overall direction and how day-to-day operations feed into that. An important part of the communication process is giving everyone a chance to speak and be heard.

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“Usually,” Brent says, “we all end up agreeing on a common decision. We're getting better at separating family from business. That's really what we feel has to happen. Business is business and when we're done with the business we're still family.”

Do they miss the secure city jobs? Both say, not a bit. “We like the challenge of our own business,” says Brent. “We like that freedom not to be answering to people other than ourselves. It's been a great experience.”

AVERAGE COST OF PRODUCTION PER ACRE

POTATOES VERSUS WHEAT

| | WHEAT | POTATOES |
|-----------------------|--------|----------|
| Total Operating Costs | \$ 120 | \$ 1400 |
| Total Fixed Costs | \$ 60 | \$ 500 |
| Total Labour Costs | \$ 20 | \$ 100 |
| Total Costs | \$ 200 | \$ 2000 |

Disclaimer: This budget is only a guide and is not intended as an in-depth study of the cost of production of this industry. Interpretation and utilization of this information is the responsibility of the user. No liability for decisions based on this publication is assumed. If you require assistance with developing your individual budget, or for further details, please contact your local GO Office.



EDUCATION



is the Key to Success in Agriculture

"Agriculture is a dynamic, challenging business loaded with opportunities for young people," says Merv Pritchard, director, School of Agriculture, University of Manitoba (U of M). "But with today's agricultural climate, managing a successful operation without specialized training is virtually impossible."

Successful careers in agriculture require an understanding of the complexities of production, marketing, finance and business planning and the Diploma in Agriculture, offered by the School of Agriculture at U of M, has prepared young people for careers in agriculture since 1906. A common misconception, Pritchard says, is that the diploma program is only useful to students who are planning to return to the farm. In fact, he points out, the program also offers excellent training for careers in the agribusiness sector.

Focus is on management planning

The focus of the two-year diploma is a management planning project that students develop for a farm or an agribusiness. "The production, marketing, finance and risk management the diploma students learn are incorporated into a student business plan," says Pritchard. "As part of the project, the students develop vision, mission and goal statements for their own farm, a case farm, or a case study based on an agribusiness. Then, they write a description of the operation and do an historical analysis."

Students create a series of crop, livestock, or business-related budgets and financial statements, then do a critical analysis of

their plans. The final result is presented and defended in front of a panel of industry experts.

"At the end of the process," Pritchard explains, "the students are prepared to develop and critically assess a business plan for any type of venture."

New major offered in Agriculture Finance

For those interested in agribusiness, he says, a new major in Agricultural Finance was developed at the request of industry, and began in September 2005. It provides training for careers with agricultural lenders such as credit unions, banks, Manitoba Agricultural Services Corporation, Farm Credit Canada or leasing companies.

"These organizations are looking for people who combine an agriculture and finance background and who are prepared to work in rural areas as agricultural loans officers or financial account managers," says Pritchard. "New courses in the program include banking, succession and estate planning, tax, asset appraisal and agricultural law. Many of these courses will be taught by experts who currently work in the industry."

A new course in Environmental Farm Planning and Farm Food Safety has also been introduced as a required course for all students. It will give them the tools to understand the elements of environmental planning and food safety as the industry moves to incorporate these principles in

farming and other business operations. Students complete the Manitoba Environmental Farm Plan Workbook as part of the course.

Demand for graduates exceeds supply

Despite recent challenges in the agricultural industry, including high cost of production, trade issues and weather, the demand for graduates of the diploma program exceeds the current supply, Pritchard points out. "The career options available to graduates are excellent at very competitive salaries. About half the graduates choose careers in the agribusiness sector.

"However," he adds, "many graduates do return to the family farm to use their new skills and insights."

Graduates of the diploma program can transfer credits into the agriculture degree program if they choose to continue their education. Students in the diploma program may qualify for financial support through the government's Employment Insurance program. The diploma program, Pritchard says, will also qualify for financial support under the recently announced Canadian Agricultural Skills Service (CASS).

For more information on these programs and careers, contact the School of Agriculture at **204-474-9391** in Winnipeg; or visit the website at umanitoba.ca/afs/school

Skills Service **BENEFITS** Farmers

Manitoba farmers looking to increase family income through improved farm practices or increased off-farm income will want to take advantage of the Canadian Agriculture Skills Service (CASS).

The new program will make more than \$6.5 million available to Manitoba farmers, their spouses or common-law partners over the next three years to help cover training, books, tuition, course materials and some other costs.

The goal is to help farm families improve income options by developing new skills. This will help them find new opportunities in agriculture and add value to their own or other rural businesses in Manitoba.

Skill assessment leads to an individual training plan

CASS is being delivered through a partnership between Manitoba Agriculture, Food and Rural Initiatives and Manitoba Advanced Education and Training. The program will help eligible farmers complete an assessment of their skills and needs and then create a training plan. Training options can include on-farm business training such as farm business management, accounting, finance, food safety, sustainable farming practices, value-added processing, farm diversification and human resources management. The service also supports farmers who may choose to take training that will prepare them for other types of employment.

Angela Pearen-Burnside, CASS co-ordinator for the southwest area, says Manitoba farmers have shown great enthusiasm for the CASS program. "When farmers find out their chosen courses have been approved for assistance, a common reaction is that it's a dream come true, or an opportunity of a lifetime," she explains. "They also find the application and approval process very easy and quick.

"I'm married to a farmer and I know the challenges that farmers are facing," she adds. "The amount of dedication these people are showing in pursuing further education is truly amazing to see."

More career and employment options

Lifelong learning and continuous skills development give farmers and their families more career and employment options and a better chance at success. CASS offers applicants assessment services to help identify existing strengths and prior learning credits. Consultants will help tailor individual learning plans that include a variety of training options, courses and workshops, help work out a budget and explain the benefits available through CASS. Financial assistance is available for formal training such as college programs, and informal training such as workshops and short courses.

To be eligible for CASS you, your spouse or common-law partner must have been out of school for two years; must not be receiving Employment Insurance benefits; and must meet one of the following criteria:

- You are an established producer with gross farm sales of at least \$10,000 a year and a net family income of less than \$45,000 (for a three-year average).
- You own a 20 per cent share of a farm corporation, co-op or other farm enterprise with \$10,000 annual gross farm sales, are actively engaged in farming and have a net family income of less than \$45,000 (three-year average).
- You are a beginning farmer – someone who intends to establish a farm or has already owned/operated a farm for less than six years and has gross annual farm sales of \$10,000 or more.

While beginning farmers, and their spouses or common-law partners, who have family income over \$45,000 are not eligible for financial assistance through CASS, they are eligible for the assessment and development of the individual learning plan.

As the world's markets continue to expand and shift, farmers require more skills to compete in local and international markets. CASS is an ongoing education program that farmers and their families can use to increase their education, learn new skills and sharpen existing skills to give them the competitive edge they need.

In Manitoba, CASS is delivered through Parkland Community Futures: **1-866-668-2277** or administrator@agskills.mb.ca or visit the website at manitoba.ca/agriculture/programs/updates/aab20s01.html

CASS is a joint federal-provincial program under the Agricultural Policy Framework.

**Information provided by Scott Stothers, Manager
– Strategic Planning Directorate**

KAP Committee Gives Young Farmers a **STRONG VOICE**

Keystone Agricultural Producers' (KAP) Young Farmers Committee has a mission, says committee chair Rob Brunel, and that's to proactively deal with agricultural issues affecting young farmers in Manitoba.

The committee, established at a KAP district meeting three years ago, also wants to serve as an educational resource and support network. To that end, the committee members are making young farmers aware of the leadership development and other skills training available to them through KAP and other organizations and encouraging them to take advantage of the opportunities. Committee members can participate in policy-making at the national level through the Canadian Federation of Agriculture (CFA) and the Canadian Young Farmers Forum (CYFF). Chris Kletke of Brunkild is the committee's current representative on the CYFF.

As the committee chair and an executive member for one of KAP's districts, Brunel helps keep KAP aware of the needs of young farmers. These needs are different from more established farmers and include things like access to capital, making farm succession possible and balancing the demands of farming and a young family.

There are several good reasons for young farmers to get involved in the committee, Brunel says. "As a young farmer, policies and directions taken by KAP directly affect your farm now and will establish the framework for how your farm can operate in the future.

"Being on the Young Farmers Committee," he points out, "gives you a strong voice to ensure that all KAP policies consider the current and future impacts upon young and beginning farmers."

The committee takes advantage of KAP's annual meeting in Winnipeg each year to expand networking opportunities and plan its own special events.

Last year, Brunel says, 25 young farmers who attended the annual meeting held a roundtable with Minister Rosann Wowchuk and KAP President David Rolfe. They discussed several issues, including the effectiveness of business risk management programs, Manitoba's water strategy and sustainable agriculture, and their effects on young and beginning farmers.

Brunel believes that this kind of activity has helped the committee increase its profile and the number of young farmers who are attending KAP's annual meeting is growing considerably.

Thanks to Agricultural Policy Framework funding through the Canadian Young Farmers Forum, the committee is able to offer other advantages to young farmers. Last summer, 13 young farmers were sent to the crop diagnostic school in Carman. Manitoba Agriculture, Food and Rural Initiatives provides support through its extension services and by providing a staff person to liaise with the committee.

For more information about KAP's Young Farmer Committee, contact Rob Brunel, at **204-447-7104** (Ste. Rose); rbrunel@mts.net; or contact the KAP office at **204-697-1140** in Winnipeg or kap@kap.mb.ca

Prepared by Manitoba Agriculture, Food and Rural Initiatives.



DID WE MISS ANYONE?

If you know any young farmer who did not receive a copy of *The Young Farmers Newsletter* have them contact us at youngfarmers@gov.mb.ca
We will gladly send a copy to them.

SHARE YOUR THOUGHTS

We'd like to know what you think of *The Young Farmers Newsletter*, and what you'd like to read about in future issues. Email your thoughts to us at youngfarmers@gov.mb.ca

VISIT THE YOUNG FARMER WEBSITE

MAFRI'S website for young farmers provides you with detailed information on programs and services profiled in this newsletter and much more. You'll also find links to valuable resources on other public and private sector sites. Visit the young farmers website today at manitoba.ca/agriculture/financial/youngfarmers