

September/October 2005

AgriSuccess

JOURNAL



Premium beef markets

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of their own destiny.

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The media's
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On the cover

From left to right: Ken Piller,
David White and Cam Taylor
in the new Natural Valley Farms
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Wolseley, Sask.

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Letter from the editors



FROM ALLISON FINNAMORE AND KEVIN HURSH

We hope you enjoy the revamped and expanded AgriSuccess Journal. You can look forward to a new edition every two months. The new format features five recurring features: The Cutting Edge, Image of Agriculture, Planning to Succeed, The Big Picture and Your Money. There are all sorts of topics that can be explored under these headings.

In addition, each edition will have a feature presentation. This time it's premium beef markets and we've profiled two producer-controlled beef processing initiatives. From the grain industry we have a story that's also about premium markets - growing crops for the production of pharmaceutical products.

We know that as producers, you're seizing every premium market opportunity you get. But we could only fit so many stories in these pages. You'll find an additional story called "Growing IP crops for profit" posted on the Farm Credit Canada Web site at www.AgriSuccess.ca.

In our next issue, coming in November we'll focus on human resources. Whether a farm has employees or runs entirely with family labour, human resources is a critical consideration.

Agricultural journalists from across the country will contribute to the AgriSuccess Journal, bringing their knowledge of the industry and unique perspectives. As editors (and contributors) we're excited by the opportunity this national publication provides.

Our aim is to provide information that's useful, interesting and thought provoking. We welcome your ideas and comments. Please email us at info@AgriSuccess.ca or call 1-888-332-3301. ⚙️

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This month's contributors

Kevin Hursh

Kevin Hursh is a consulting agrologist, journalist and broadcaster based in Saskatoon, Sask. He also takes an active role in the management and operation of a grain farm near Cabri, Sask.

Allison Finnamore

Allison Finnamore is a freelance agriculture journalist from Moncton, N.B. She's been writing about the region's agricultural issues for 15 years and is currently president of the Canadian Farm Writers' Federation.

Owen Roberts

Owen Roberts, a native of Mitchell's Bay, Ont. (near Chatham), teaches agricultural communication at the Ontario Agricultural College, University of Guelph and is director of research communications for the university. He is also a freelance journalist and broadcaster.

Rae Groeneveld

Rae Groeneveld is Farm News Director at GX 94 radio station in Yorkton, Sask. He has extensive knowledge of agricultural issues in western Canada from his years of behind-the-scenes work in the industry.

Lorne McClinton

Lorne McClinton has worked in the communications field for the last 20 years as a journalist, photographer, scriptwriter and corporate writer. He also owns a grain farm near Yellow Grass, Sask.

The editors and journalists who contribute to AgriSuccess Journal attempt to provide accurate and useful information and analysis. However, the editors and FCC/AgriSuccess cannot and do not guarantee the accuracy of the information contained in this journal and the editors and FCC/AgriSuccess assume no responsibility for any actions or decisions taken by any reader of this journal based on the information provided.

Venture capital accessible to agriculture

BY RAE GROENEVELD

On June 16, 2005, the first ever Agricapital workshop was held at Western Canada Farm Progress Show in Regina. The purpose was to inform producers and agriculture businesses about the opportunities to access new investment capital.

One of the Venture Capitalists who attended the show, Chris Selness, Vice President of Investments for SaskWorks Venture Fund, has had good success investing in agriculture.

“The most stable sector we have is our ag sector investing. While we don’t generate the mid 20’s or higher percent of annual return that certainly our oil and gas and to some extent our manufacturing sectors do, we get nice solid teens type of returns for the appropriate risk capital placement in the ag sector.”

Venture capital investments are typically used in value added agricultural enterprises. Returns in primary agriculture are not usually high enough for the investment objectives of venture capital funds. ⚙️

Support for training

BY ALLISON FINNAMORE

The Canadian Agricultural Skills Services (CASS) program will help pay the costs for producers learning how to improve farm practices and gain knowledge in farm business management. Federal-provincial funding is in place within some provinces and others are expected to follow.

CASS is for producers, beginning farmers or spouses with a net family income of under \$45,000 averaged over three years. Eligibility also requires gross farm sales of \$10,000 a year from commercial agricultural production and, in the case of partial ownerships, at least a

20 per cent share in the operation. Part of CASS includes an assessment and learning plan, which is open to all beginning farmers, regardless of income level.

The program is designed to help producers identify their skills, map out what they want to learn, assist with funding formal and informal training costs, and be around after the program for ongoing support. It’s also intended to train producers for employment or business ownership outside of agriculture.

Details are available by calling Agriculture and Agri-Food Canada at 1-866-452-5558. ⚙️

Environmental funding to Canadian producers

BY ALLISON FINNAMORE

The federal government is providing \$662 million for new environmental programs on Canada’s farms. The money is designed to help producers develop environmental farm plans and reduce the impact on the environment with new technologies and changed practices.

Producers will be able to access the financial assistance once an environmental farm plan has been completed, reviewed and approved. Financial and technical assistance will be administered by the National Farm Stewardship Program (NFSP). Across the nation, 20,800 producers have participated in environmental farm plan workshops, with about 16,400 plans now completed.

Nation-wide, more information on environmental programming is available from Agriculture and Agri-Food Canada’s Client Service Centre at 1-800-667-8567. ⚙️

Canada: Feed grain importer?

BY KEVIN HURSH

On the prairies, the beef and hog industries have seen major expansion and there's a big push to increase ethanol production. In central Canada, livestock production dominates the agriculture industry and there's also a big push for ethanol.

"Where are the feed grains going to come from?" wonders Hartley Furtan, an agricultural economist at the University of Saskatchewan. Furtan points out that Canada has become a net importer of feed grains.

"It's hard to build a livestock industry on high priced feed grain."

In 2004, frost reduced a big percentage of the prairie wheat crop to feed quality and much of that will be exported. However, producers didn't seed that crop with the intent of selling it for feed and that magnitude of quality downgrade is abnormal.

The prairie barley crop goes for malt production and for feeding the domestic livestock industry. Very little feed barley is left over for export.

"We're almost out of the export business for feed grains," says Furtan.

Saskatchewan still produces far more feed barley than is consumed within the province, but most of that moves west and east to fill the feed grain gap in the neighbouring provinces.

In Ontario and Quebec, soybean acreage has increased over the years at the expense of corn. Central Canada is a net importer of corn from the U.S.

"The market says to grow soybeans in Ontario," notes Larry Martin, CEO of the George Morris Centre located in Guelph. Martin says shorter season soybeans have been a big breakthrough for Ontario. Soybean acreage has exceeded corn since the mid-90s. Many acres have also been switched to horticultural crops.

Even in Western Canada, American corn often serves Alberta cattle feedlots and Manitoba hog operations.

"U.S. corn production increased 144 per cent between 1970 and 2003," says Furtan. "The U.S. provides a

high-powered incentive to produce corn." He says the American livestock and ethanol industries are built upon that cheap, abundant supply.


In Canada, the support programs are less lucrative and are not commodity specific. Farmers tend to grow what provides the best marketplace return and that has meant a move to higher value crops.

Canadian hog producers have been exporting increasing numbers of feeder pigs to the U.S. The pigs are moving to where feeding costs are less.

Martin notes, "It's hard to build a livestock industry on high-priced feed grain."

While American corn can move north into Canada, the transportation cost means it will always be more expensive than in the U.S.

Both researchers believe the answer lies in research and getting more productivity from Canadian feed grains. While American corn has seen a steady increase in average yields, Canadian barley yields have been flat.

"Invest in research. Returns on investment are very high," says Furtan. "It's what the Aussies are doing" 



Premium *beef* markets

In May 2003, when the American border closed to live Canadian cattle, it quickly became apparent Canada needed more beef slaughter and processing capacity. While there were scores of proposals for new facilities, most have been stymied by the capital and marketing acumen required.

But there have been success stories like Natural Valley Farms in Saskatchewan and Atlantic Beef Products Inc. in Prince Edward Island.

Natural Valley Farms

BY KEVIN HURSH

June 14, 2005 was a day of celebration for Natural Valley Farms. The company's new beef processing facility at Wolseley, Sask. was finally ready. Investors and guests gathered for an official opening and tours of the federally inspected facility.

The first beef arrived for processing a couple of days later. For the summer, carcasses came from federally inspected facilities in other provinces. Before year's end, Natural Valley hopes to have its own federally inspected slaughter plant operational in the nearby town of Neudorf. Total investment in the two facilities tops \$15 million.



Computer-labelling machine allows Natural Valley Farms to obtain a premium price for their beef

Natural Valley was initiated by two local cattle producers – Ken Piller and Cam Taylor. The idea was conceived before the first case of BSE changed the face of the Canadian beef industry. It's been a long road from concept to reality.

There are 70 investors, mostly producers, with an average investment of \$100,000. Including those who have purchased "hook space" (the right to process their animals through the facility), about 1,200 producers have a stake in the operations.

Producers are not beef marketing experts. For that, David White was hired as general manager. With 20 years

experience in the value-added meat processing industry, he's thrown his heart and soul into Natural Valley.

Initially the plan was to exclusively market a "natural beef" product in a branded beef program. However, the BSE crisis quickly led to huge backlogs of older cattle. The strategy expanded to include beef from animals over 30 months of age.

Under the Branded Natural Beef Program, producers follow stringent management guidelines. Animals receive

no hormone implants and must be antibiotics-free after weaning. Producers follow the on-farm protocols of the Canadian Cattlemen's Quality Starts Here program.

"We're offering traceability that the large beef processors can't," says White, gesturing towards a computer-labelling machine. "The bar code on packages identifies each group of animals and what farm they came from." The tracing will even extend to hamburger.

White is reluctant to discuss much about retail supply agreements. "The retailers I've talked to are the largest in Canada," he says. Otherwise, he would only say a branded product from Natural Valley would first be seen at Ontario retailers.

Natural Valley wants to maximize value by selling cuts into the highest value markets. For instance, flank steak has a higher value on the export market than in Canada.

Canadian beef processors have enjoyed strong returns since the closure of the border to live cattle. In a normalized market, returns are typically narrow and the large processors have an efficiency advantage.

By targeting premium markets and by offering a natural branded beef product, Natural Valley Farms hopes to capture additional returns for the producers it serves.

Atlantic Beef Products Inc.

BY ALLISON FINNAMORE

Beef producers in the Maritimes were tired of relying on others to determine their fate. The dependence had been building for years, as smaller processing plants closed, squeezed out by larger companies. When Hub Meat Packers in Moncton, N.B. closed in the spring of 2002, the issue became crystal clear.

Without Hub, cattle were shipped to Ontario – an added expense. And there was something else too – Maritime food was being processed with beef from throughout the country. In general that's OK, they felt, but why shouldn't Maritime consumers be able to eat federally inspected beef produced by their neighbours?

Enough was enough. The producers decided to take control.

They formed a co-operative and started selling hooks. Maritime beef producers had already made up their mind to take action when the bottom fell out of international trade in May 2003. In December 2004, Atlantic Beef Products Inc. opened in P.E.I.

Dean Baglole is chairman of the producer co-operative. He says producers bought into the plant because they believed controlling production within the region would help insulate the Maritime industry against trade disruptions.

"We have given producers an opportunity to have a say in marketing," Baglole says. "If all we do is continue to produce, we are at the bottom of the food chain and there is not a whole lot of hope at the end of the day."

Producers now have a direct say in how their product is produced, processed and distributed. "Producers are involved from gate to plate," explains Baglole.

Kirk McGrath is the facility's general manager. He agrees with Baglole and says producers took steps for self-

By targeting premium markets and by offering a natural branded beef product, Natural Valley Farms hopes to capture additional returns for the producers it serves.

preservation. “I think Maritime producers knew they couldn't depend on U.S. markets and wanted to have more control of their future and their markets,” McGrath says.

Atlantic Beef Products produces three brands of premium beef – Atlantic Tender Beef Classic for Co-op Atlantic, its own Atlantic Beef Products and a premium line, Atlantic Choice, for the food service industry and future retail markets.

Atlantic Choice is high end AAA beef, sold only to select restaurants, including Delta Hotels. Breaking into that market is challenging, but the key, McGrath says, is creating a product different from everyone else.

Atlantic Beef Products offers consistency. They buy from a closed loop of 190 producers who agree to protocols for raising their cattle. McGrath declined to give details, but says offering quality, every time, is vital. “Because we have a closed loop, what we're doing for our customers is consistent.”

Work has started to install a fully traceable processing line, McGrath says. It will allow Atlantic Beef Products better access to more specialized markets, since the line will offer traceability from farm to fork, along with complete processing documentation. If customers want hormone-free beef, the facility will be able to physically verify how the brand has been processed.

Controlling destiny didn't happen overnight – producers worked on the project for several years before it came to life. Now that Atlantic Beef Products Inc. is operational, processing Maritime beef for local consumers, they're enjoying the view from the driver's seat. ⚙️

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CropLife Canada launches Food for Thought initiative



BY ALLISON FINNAMORE

There are few agricultural issues as divisive as pesticides. Strongly opposed or staunchly in favour, for most, the matter is black and white.

On one side are the natural, sometimes organic, pesticide-free promoters. On the other side, producers who use pesticides as one of the many tools on their farm just like their seeding implement or irrigation system.

Food For Thought works to inform consumers about pesticide use.

Rare are the producers who use the “more is better” philosophy when it comes to pesticides. Perhaps that was the case decades ago, but now, producers are better informed about effective use of pesticides. Too much can lead to resistance from the plant organism or pest, or damage the

very crop the producer is trying to protect. Besides, the more that’s put on, the more the producer needs to buy and no one can afford unnecessary expenses these days.

In the middle, stuck between a fear of eating chemicals and the near unquestionable confidence in producers, are consumers – misinformation, health concerns and hesitant belief swirling dizzily around them.

CropLife Canada recently launched an advertising and information campaign to tell consumers about how pesticides are used on-farm and the advantages of responsible pesticide use. Food For Thought promotes the core benefits of crop protection with pesticides, explains spokesperson Debra Conlon.

“Pest control products are tools that (producers) use that are well regulated,” Conlon said. “This program is to promote the benefits of pesticides and provide balanced information.”

Advertising in magazines like *Chatelaine*, *Homemakers* and *Canadian Living* features a slug on a leaf of bright green lettuce. The caption reads, “Guess who’s not coming to dinner” and includes Web site address of Food For Thought, www.croplife.ca/foodforthought/.

At the Web site, Conlon pointed to a unique game called Farmer Frank. It puts players in the producer’s shoes and goes through the decision-making process of whether or not to use pesticides on the crop. Options like Integrated Pest Management (IMP) are investigated along the way. Also on the Web site, an independent panel of experts is available for questions about pesticide use on Canadian food. Web site visitors can ask a dietician, food scientist and a producer about pesticide residue, impact and use.

With numerous challenges on the plates of Canadian farmers today, Conlon said it’s important groups like CropLife Canada support producers in any way possible. Food For Thought is attempting to arm consumers with the facts on how pesticides are used on-farm and of advantages they see to pesticide use.

While Food For Thought works to inform consumers about pesticide use, according to the Canadian Organic Growers, their industry is seeing an ever-growing demand, with sales increasing at a rate of 20 per cent a year. Nationally, about one million acres is dedicated to organic food production, with another 13,400 acres in transition. The federal government is currently leading an Organic Task Force to standardize and regulate organics across the country.

Black or white; pesticides or not – there’s enough discussion on both sides of the issue to give us lots to chew on. 🌱



How will the media adjust to its extension role?



BY OWEN ROBERTS

The media's role as an information purveyor, rather than an observer, is a new development

The media has taken on an increasingly important role in getting information to user groups, such as consumers and farmers. Most consumers say the media is their main source of information, and it's taking on a bigger role with farmers, too. With the coming of the Internet and government staff cutbacks, farmers are looking to media (both traditional and electronic) for information that keeps them ahead of the pack.

(and in fact, has been criticized at times for not being critical enough of its own sector).

But like its non-agricultural kin, farm media has always viewed itself as a news vehicle first and foremost, charged with the duty of providing balanced, fair comment and coverage to its readers and viewers.

That's different than providing information, where its presentation may well be more on the way a new technology works, for example, rather than focusing on political questions surrounding it. But somebody needs to get information about new developments to farmers.

The agri-food sector is driven by research, because there's such a short distance between the creation of new knowledge, and its application in the field. Are there alternatives, though, to the media as an emerging information provider? Or is that such a bad thing? That was a question panelists worked through in June, at a presentation I participated in at the Association for Communications Excellence annual international meeting in San Antonio, Texas (the association is populated with those who educate students about communicating information to the agri-food sector, or are involved in communications themselves). The theme of the discussion

was new and emerging rural information systems, which implicitly involves the farming sector.

Experts with an understanding of the Ukraine, the Philippines, Quebec and Ontario took part. They talked about farmer clubs coming together to share information gleaned from sources such as agribusiness. They talked about government-sponsored electronic communication hubs where information was sent via high-speed cable to remote points, from which farmers could then use cell phones to text questions and messages.

But a lot of the discussion focused on communicating through the media. Science stories are no longer segregated to a corner, buried inside or given lip service at the end of a program. Rather, they're stand-alone stories that take their place beside political news and other features readers or viewers (or editors) consider important. Often, they're related to health, making them all the more relevant.

We have to keep looking for new and better ways to communicate and transfer technology. The media has stepped in to fill a void. It can be limiting, because the media is driven by controversy, and there's not much opportunity for immediate feedback. But it's a start. ⚙️



Keeping kids on the farm



BY KEVIN HURSH

Family farms are either passed along to the next generation or they're sold to the highest bidder. If you want your farm to be in the first category rather than the second, advance planning is required.

Glenn Dogterom works for Young Parkyn McNab LLP, a regional accounting firm that focuses on southern Alberta. The company has offices in Lethbridge, Taber, Fort Macleod and Claresholm as well as part time offices in Pincher Creek and Milk River.

Succession planning has to start long before retirement looms.

Dogterom sees all kinds of farm operations and situations. While there are always exceptions to every rule, Dogterom has noticed some trends. One rule of thumb is that if the kids have left the

farm to pursue career opportunities, they are unlikely to return to the farm when it's time for their parents to retire.

"Often the farm isn't big enough for two families," notes Dogterom, "and expanding the farm can be risky. That's one of the main reasons why young people leave."

In southern Alberta, lots of farm kids end up with lucrative positions off the farm (such as the oil patch). They may have intentions to return to the farm, but the longer they are away, the less likely it is to happen.

While in their 40s, dad and mom continue along, but may wish/hope/expect that a son or daughter will someday continue with the farm business. By the time the parents are in their 60s, they are ready to seriously consider the next phase in their lives. Often, the realization is precipitated by a health concern.

Is the farm sufficiently viable to attract Billy away from his career in the city? The farm business wouldn't support two families when Billy left. By the time his parents want him to come back, it may not be viable for even one family unless there was significant expansion over the years.

Billy's wife, Susan didn't grow up on a farm and is hesitant to leave her career. Billy has been away for

a lot of years and he's no longer familiar with the production technology.

"This is a situation we see all the time and it isn't likely the farm will stay in the family," observes Dogterom.

To be successful, succession planning has to start long before retirement looms. "Strategize early," advises Dogterom. "Do your planning in your 40s."

He says it's important for young people to be participants and even start to take an ownership position by the time they're in their late-20s or early 30s. It's also vital for families to communicate. That means family meetings for planning.

Even under the best of conditions, it can be difficult to find a way to provide mom and dad with enough to live on in their retirement years while giving a son or daughter a good start in farming. Decisions also need to be made on how to treat non-farming siblings in a fair manner.

Like many people who deal with succession planning, Glenn Dogterom says the earlier you start, the better the odds of a successful intergenerational transfer. ⚙️




Bio-pharming

BY LORNE McCLINTON

Another new wave of crops may soon be making their way into Canadian fields. Soon if you know just where to look while driving across the southern prairies, you might find an odd orange field of insulin. These orange fields could paint a picture of the future of drug manufacturing. Plant-made pharmaceuticals, or PMPs, are increasingly being touted as the way

to manufacture new generations of drugs cheaply and efficiently. It's cutting-edge biotechnology, and two Canadian companies, Calgary-based SemBioSys Genetics and privately held Medicago of Quebec City, are hoping to ride the crest of a bio-pharming wave.

SemBioSys has genetically modified safflower to make insulin for the treatment of diabetes. Medicago uses genetically modified alfalfa, grown in greenhouses,



Medicago CEO Andy Sheldon.
Medicago's GMO alfalfa can be tailored to grow a broad spectrum of pharmaceutical proteins.
– Photo by Lorne McClinton

to produce a large amount of human antibodies that can be used to assist patients' immune systems to fight infections. These can be used to treat cancer or fight infections like antibiotic-resistant "golden staph" (*Staphylococcus aureus*). Vaccine production is another exciting possibility.

"This will be a lucrative business for a small number of farmers," says SemBioSys CEO Andy Baum. Since he estimates that just 10,000 to 15,000 acres of the plants could meet the world demand for insulin, it won't cure

"This will be a lucrative business for a small number of farmers."

the ongoing financial crises in agriculture. However, Baum adds, "we will be injecting a lot of money into the rural economy."

PMPs still face significant hurdles before they reach

approval. Companies have to demonstrate that their products' genes cannot escape into the environment. No company wants to deal with the public relations fallout of having a stray herd of cattle dying from a drug overdose.

"Containment was one of the reasons Medicago chose to grow our alfalfa in greenhouses," says Medicago CEO Andy Sheldon. "Nothing can get in and nothing can get out. There is no possibility of gene dispersal. There is no possibility of animals nibbling on the plants."

It's also why SemBioSys chose safflower. "Its biology makes it easy to confine," Baum says. "Safflower is an uncommon crop everywhere. It has no weed relatives in the western hemisphere, the pollen doesn't travel by wind, and it is largely self-pollinated."

Containment issues mean that growing insulin, and other PMPs, won't be for everybody. Their safflower can only be grown under the strictest guidelines outlined in a set of government-approved standard operating procedures (SOPs). "We have a book of SOPs that I would estimate is literally several inches thick," Baum says. "It covers every aspect of production, from field selection to cleaning equipment after the harvest. We have an SOP on how you select a field, on how you clean a grain drill, on how you pack material for shipping, and on how you scout a field after harvest. It's not that we think we know more about agriculture than farmers, but this is what we have to do to follow the regulatory guidelines. A lot of farmers are just going to look at everything involved and say, 'Heck, it isn't worth it.'" ⚙️

For a story by Owen Roberts and Kevin Hursh on the more regular kinds of Identity Preserved cropping alternatives (Growing IP grains for profit) go to www.AgriSuccess.ca.



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