

September/October 2006

AgriSuccess

JOURNAL



**Producer-controlled
leader in seed processing**

A glimpse into the business of the
largest seed processor in Quebec

**Catching
premium markets**

**Potato image
makeover**

**Value doesn't mean
lowest price**

**Chesslawn
Vineyard and Winery**



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On the cover:

François Tétreault is President
and General Manager of
Les Grains Semtech Inc.



It takes a lot of community theatre to raise money for a new rec centre

We can help with FCC's new **AgriSpirit Fund**. This \$500,000 fund enhances rural communities across Canada by helping fund capital projects. Get a complete list of eligibility criteria and an application at www.fcc-fac.ca in the About Us section. Apply by **November 15, 2006**.



Canada

Letter from the editors



FROM KEVIN HURSH AND ALLISON FINNAMORE

Welcome to an expanded version of the AgriSuccess Journal.

We've added a regular column by Peter van Dongen on farm safety. It's called Safety On the Farm. Farm safety information sometimes comes across as being preachy. We've charged Peter with being insightful and thought-provoking, and we know he'll meet the challenge.

We've also responded to requests for more stories about young producers and innovation. Starting with this edition, we'll profile enthusiastic movers and shakers in all regions of the country.

The theme of this edition is value chains and premium markets. You're probably hearing lots of advice about moving further along the value chain and producing what consumers actually want. That's not always easy to accomplish, but we have a number of real-life examples that may give you some ideas.

We're also throwing some new concepts at you – things that may change your perception of marketing.

Your story ideas and comments are always welcome. You can e-mail us through info@AgriSuccess.ca or call 1-888-332-3301.

AgriSuccess Journal is a magazine dedicated to helping producers advance their management practices by providing practical information, real-life examples and innovative ideas that foster personal solutions.

AgriSuccess JOURNAL

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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.

Benchmark for Success



BY KEVIN HURSH

Agriculture and Agri-Food Canada (AAFC) has released an improved version of its *Benchmark for Success* CD. The program is free, and allows producers to assess the financial performance of their farms compared to other similar-sized operations.

The program uses a producer's financial data to develop

commonly used financial performance indicators. The industry benchmark ratios for farms of similar size, type and region are derived from Statistics Canada's Whole Farm Database.

The *Benchmark for Success* CD is available through regional AAFC offices and provincial government offices. It can also be downloaded from AAFC's website at www.agr.gc.ca/compare.

Big water savings with ball-bite drinkers

BY KEVIN HURSH

A year-long study conducted on a hog farm in the High River area of Alberta suggests that ball-bite water drinkers can cut water consumption by a third by limiting the amount of water pigs spill.

Dennis McKerracher has a 500-head barn with an all-in, all-out grower operation. The pigs came in weighing 50 to 60 pounds and went out in the 120-pound range. Half the pigs were on standard water drinkers and half were on ball-bite water drinkers.

The ball-bite groups used 35 per cent less water over the year, with 50 per cent less water used in the summer.

McKerracher says he plans to convert his entire barn to ball-bite drinkers. He warns against trying to use both systems at the same time, noting that the pigs tend to gravitate to the standard drinkers.

Get more information on the study on the Alberta Pork website at www.albertapork.com.

Net feed efficiency

BY RAE GROENEVELD

A leading animal scientist says a newly discovered trait holds great promise for Canada's beef industry.

"I have never seen a trait come along with higher potential than net feed efficiency," says Dr. John Basarab of Alberta Agriculture, Food and Rural Development.

Through the development of new feed intake measurement equipment by GrowSafe Systems Ltd. of Alberta, researchers can now analyze cattle feed intake and how well that animal is converting the feed into productive gains.

The analysis shows it costs about \$40 less to finish an efficient animal. This could save the feedlot industry over \$100 million.

The research has also shown that the trait for net feed efficiency can be passed on through genetics, and some ranchers are now testing their bulls. Bulls with the trait for good net feed efficiency are selling higher than untested stock.

For a complete report on the development of net feed efficiency, go to www.meristem.com.



Catching premium markets



BY KEVIN HURSH

Market premiums tend to decay over time. That's something that as producers we inherently know, but I'd never really thought about it that way until I heard a presentation by Christopher Schroeder, a partner at Centrec Consulting Group out of Savoy, Illinois. Schroeder spoke earlier this year to the annual meeting of the Canadian Consulting Agrolologists Association in Langley, B.C.

“The ability to learn faster than your competitors may be the only sustainable advantage.”

The scenario is common. A company has a new crop variety with a special attribute to serve a specific market. There are no production advantages. In fact, the variety may be more difficult to grow and it requires identity preservation. How do you get producers interested?

The answer is easy. Money talks. Offer producers a price premium. I know first hand that this works.

I grow specialty canola on my farm in southwestern Saskatchewan. That's not an area noted for canola – it can be hotter and drier than canola likes – but I've been attracted by the premiums available. I don't usually grow commodity canola that can be delivered to any canola buyer. However, in recent years, specialty canola under contract has become a big part of my cropping.

This includes high oleic acid canola that's in demand because the oil doesn't result in trans fats within foods. I've also been growing HEAR, High Erucic Acid Rapeseed, which produces oil for industrial rather than edible uses.

Specialty canola doesn't yield as well as the top varieties. On some types, the weed control is more difficult because it's conventional canola without any herbicide tolerance traits.

But for me the price premiums have made it an attractive alternative. The identity preservation has not been a major inconvenience.

Other producers believe the yield advantage they get from commodity canola makes that their best alternative. Suffice

to say that without the price premiums, there would be little reason to grow lower-yielding types.

Over time, specialty types of canola are becoming more yield-competitive and easier to grow due to improved varieties. As the specialty canola opportunity becomes more mainstream, it's hard to imagine the price premiums staying the same. Eventually, a company will be able to get all the production it needs while offering a lower premium. In other words, the premium decays.

Canola is just one example. The situation is similar in soybeans. This can also be true in a market niche for vegetables or potted perennials. Some people believe the premiums for organic and all-natural products will decline for the same reason.

In a value chain where information and returns are shared among all the market players, it may be possible to preserve premiums for a longer period of time, but the same forces are at work.

So how should producers react? As Christopher Schroeder points out, many producers tend to jump from one opportunity to the next. As one premium decays, they move to other emerging opportunities that seem to offer better returns.

“The ability to learn faster than your competitors may be the only sustainable advantage,” Schroeder says.

That means continuously seeking out and evaluating opportunities. When they work for your operation, you need to jump on them. The good news is that markets are changing more quickly than ever, and that creates premium market opportunities.



Chesslawn Vineyard and Winery

BY ANNE HOWDEN THOMPSON

There is no mistaking the enthusiasm in David Matson's voice as he talks about Chesslawn Vineyard and Winery – a labour of love and the realization of a dream for himself and his wife, Lisa. In the myriad of challenges facing the Canadian agriculture industry, his youthful enthusiasm is infectious and refreshing.

Although the bulk of Ontario's renowned wine production is nestled in the warmer southern Niagara

Peninsula, some entrepreneurial growers have begun to successfully experiment with production in other parts of the province. But growing vines for fruit production in the scenic hills of Caledon, about 45 minutes northwest of Toronto, was untried.

There is no mistaking the enthusiasm in David Matson's voice as he talks about Chesslawn Vineyard and Winery.

David Matson did his research and in fall 2000, planted his first vines on an experimental block measuring only 1.5 acres in the corner of the family's Bolton-area dairy farm. He carefully monitored the growth and performance of those initial varieties. With the investment price tag to establish an acre of vineyard pegged at about \$10,000, Matson says the hardest part moving forward was deciding which of the varieties from the trial he should "bank on."

More tough decisions lay ahead.

The couple's initial business plan focused exclusively on growing grapes for the first 10 years and then establishing a winery. But a successful business entrepreneur needs to recognize external signals and react appropriately.

The push was on to establish his winery facility sooner rather than later when Matson began to hear "whispers" that at a future date, it may become more difficult to erect additional agricultural buildings in the area because of recent land designations.

Another challenge was the lack of zoning for wineries within the town of Caledon. Fortunately, amongst the

agricultural community and municipal officials, there was growing recognition that secondary operations on active farms are a positive and sometimes necessary endeavour to help the original farm operation adapt, survive and thrive.

Today, the vineyard has increased to 8.5 acres and the charming retail facility built by David sits comfortably among the vines.

The vineyards and winery have allowed David and Lisa to establish their own business, while still remaining firmly connected to the overall family operation for the sharing of labour resources.

The winery's daily operational duties are selectively shared between David and Lisa. Harvesting of the grapes pulls in the entire Matson family network, including their two-year-old son, also named David. Although too young now to actively engage in the harvest, eight-month-old James is also expected to find a prominent spot on the Matson harvest crew.

Until his operation is more soundly established, David continues to maintain his full-time off-farm job. Admitting they would have been "further ahead" financially to have forfeited their dream instead of investing hard-earned cash into what could be a risky new endeavour, David says they always remember the benefits of living on the farm – something he thinks many young farmers should remember.

Their goal is to build an operation that provides a stable income and satisfying lifestyle for their family.

Learn more about Chesslawn Vineyards and Winery at www.chesslawnwinery.com or call 905-857-5035.



Potato image makeover



BY ALLISON FINNAMORE

You can't get much more basic than potatoes. The simple, versatile vegetable has long been a mainstay in the diets of people around the world.

But a few years ago, an explosion in the popularity of low carbohydrate diets pushed potatoes off the plates of millions of North Americans. The industry is still recovering and producers, processors and potato

"The raw potato is a nutritional powerhouse."

marketing organizations are tallying the figures, calculating the impact on the industry.

The Ontario Potato Board released a study earlier this year that showed Canadians under 55 are serving potatoes only 1.8 times a week, while older Canadians are eating potatoes 2.4 times a week. Also earlier this year, Mark McCauley, vice-president of marketing at McCain Foods Canada, referred to a study in the United States that showed 36 per cent of those surveyed didn't know potatoes were a vegetable.

It's hard to believe this traditional fundamental food is now an unrecognizable stranger. It's time the potato had its own public relations campaign.

Improving the public image of the potato, McCauley says, means getting the message out that potatoes are full of Vitamin C, low in fat and high in potassium. "The raw potato is a nutritional powerhouse."

Processors are changing the way they market to consumers too, he adds.

"We've got to retool," McCauley states. Describing how McCain Foods is working to improve the potato's image, he points to their changed cooking oils, promotion of the health benefits of a balanced diet and changed packaging on frozen french fries.

David MacKenzie, chairman of the Ontario Potato Board, agrees that potatoes are getting sold short. And, he adds, groups like his are working to give the spud an image makeover.

"Potatoes have a great nutrition story that has not been told," he explains. "We're taking that message to the marketplace."

Both McCain Foods and the Ontario Potato Board are running promotional campaigns to increase public awareness of the nutritional value of potatoes. McCain Foods is running television advertisements and has a dietician doing media tours throughout the country, while the Ontario Potato Board has launched a website, www.ontariopotatoes.ca, which offers a variety of recipes and nutritional information.

It's going to take a lot of money and effort to reacquaint consumers with potatoes. Image makeovers aren't simple to accomplish. With good marketing and promotion by industry leaders, let's hope the spud will make its way back into the lives of Canadians and onto plates across the country.

Perhaps there's a message for the producers, processors and marketers of other food products – monitor and address image concerns sooner rather than later. Understand the messages that are resonating with consumers.

After all, if you aren't going to promote the beneficial aspects of your product, who will?





Les Grains Semtech processes a variety of products including these cranberry beans.

Producer-controlled

leader in seed processing

BY MARK CARDWELL

François Tétreault is the first to admit he's biased. But he's convinced that the farmlands in and around St-Pie-de-Bagot are the best and most fertile in all of Quebec. "The soil's rich, the land's flat and there are no rocks," says the native of the rural hub 25 km south of St-Hyacinthe, in the heart of the farm-filled Montérégie region. "Growing conditions here are perfect."

Hometown pride aside, it's hard to argue with success. Over the past 16 years, the soil around St-Pie has helped Tétreault, his cousin Jean, and a half-dozen local investors build the largest seed production and processing business in Quebec and, at the same time, create a unique value chain for crop producers across the province.

Les Grains Semtech Inc. owns and operates two processing plants on the outskirts of St-Pie, near the town's industrial park. Joined by a small office building, the plants receive, clean, separate and grade thousands of tonnes of genetically modified and non-genetically modified seed using state-of-the-art equipment. In particular, the company processes, dries and stores grain corn, soybeans, small grains, and cranberry beans, which are part of the kidney bean family.

In addition to the commercialization and transport of local feed grains (particularly corn, soybeans and small grains), Semtech also produces, distributes and exports seed wheat, barley and oats in pedigreed categories, as well as cranberry beans, identity preserved (IP) soybeans and small grains to Europe, Asia and the United States. The latter are produced, on contract, by about 150 growers across Quebec.

"We're very proud of what we've done," says Tétreault, the company's president and general manager. "We've invested and innovated a lot over the years."

In many ways, Semtech is as much a family affair as it is a shining example of a producer-owned company controlling more of the value chain and getting closer to end-use customers. After taking over their respective

families' farms in the early 1980s, François and Jean Tétreault pooled their resources and converted their lands from commercial crop production to seed growing – soybeans, wheat, barley and oats – under contract.

With the financial backing and expertise of a few close friends in the farming industry, the cousins decided to strike out on their own in 1990, when they founded Semtech. "Sure there was risk involved," recalls Tétreault. "But we knew people who knew the industry, and we saw some opportunities we thought we could exploit."

One was the growing demand for cranberry beans. In some countries in the Mediterranean basin, they are a popular source of inexpensive vegetable protein. At its inception, Semtech was only the second Quebec company to grow – and provide contracts to grow – the edible bean. Since then, it has developed a network of about 20 growers who produce roughly 2,500 tonnes of the specialty crop a year, about a third of which is produced on the Tétreaults' farms.

"It's a nice niche market," says Tétreault, who estimated that the value-added crop, which currently sells for around \$600 a tonne, represents about 20 per cent of the material processed at Semtech's cleaning plants. "It's also an interesting opportunity for Quebec producers."

The same holds true, he adds, concerning production of the company's main breadwinner activity: the production, cleaning and processing of soybean seeds for the major companies. "We've worked hard and invested a lot of time and money," Tétreault says.

In particular, he credits innovations like the half-million-dollar purchase in 2002 of two robotic bagging and palletizing systems – a first in the Quebec seed industry – and the development of a second, high-tech processing plant for non-GMO, IP soybean seeds for the company's success in the soybean field.

"It's paid off with some beautiful contracts," Tétreault says.

Linking into the value chain



BY HUGH MAYNARD

Producers have to look at new products, new markets and new ways to add value.

In the emerging world of value chains, a crop producer is no longer just a farmer. Participation in a value chain means that a crop producer becomes a maker of clothes or motor oil, and a dairy producer becomes a supplier of nutraceuticals. It's a brave new world that holds, according to the proponents of value chains, substantial market

potential by producing agricultural products to meet specific demands from the market – for food, health and industrial applications.

The first time I saw the term “value chain,” I thought the author had become confused. Surely the writer was referring to “value-added” and just trying to fancy-up an already common catchphrase. The concepts are, despite sharing the word “value,” appreciably different.

A producer of organic oats is adding value through the premiums attached to organic certification – end of story. A producer of organic oats engaged in a value chain has determined that there is a market opportunity in a specific type of oats – let's say high fibre content for making muffins – and is working in partnership with the various players downstream in the market to supply the consumer-driven demand. In essence, adding value is just one link in the value chain that comprises aspects of management, marketing and partnership far beyond those normally anticipated by “a farmer.”

Peter Hannam, a producer and the founder of First Line Seeds, is a pioneer in the introduction and development of soybeans for the Ontario marketplace. Hannam sees a convergence of agriculture, biotechnology, organic chemistry and life sciences as having “unprecedented new potential” for producers, and the way to harness that potential is through value chains. He says we have met the challenge of feeding people, now is the time to move to the next level. To do so, producers have to be looking at doing things completely differently: new products, new markets, and new ways of adding value.

Been there before? You have a right to be skeptical, based on the rush to diversification in the 1980s – when was the last time you saw Canadian ostrich on a restaurant menu? – and there has been no improvement in the bottom line for producers despite “value added” being the buzzword throughout the 1990s.

But Hannam likes to invoke Wayne Gretzky in his value chain pitch – don't go where the puck is, go to where the puck will be – and the agricultural puck is right now headed toward biofuels. He points out that one of the few major agricultural commodities actually enjoying profitable prices is sugar, and that's because significant amounts are being diverted to ethanol production. With an estimated 20 per cent of U.S. corn production headed in the same direction, the biofuel bandwagon is starting to roll.

The value chain concept is complex and won't produce material benefits for producers without a significant shift in the approach to supplying future market demand. The first step in making your link to a value chain is to find out more: Alberta Agriculture and Food Council (www.agfoodcouncil.com), the Agri-Food Trade Service (www.ats.agr.gc.ca) and the George Morris Centre (www.georgemorris.org) all have additional information to help you assess whether there's a value chain in your farm's future.



And in this corner...

If there's an incident with livestock, who do you think will win?

Not you, that's for sure. Incidents involving livestock are a leading cause of farm injuries. Learn some simple steps you can take to prevent these injuries. Visit the Canadian Agricultural Safety Association (www.casa-acsa.ca) or the Canadian Federation of Agriculture (www.cfa-fca.ca). An extra second of safety can last a lifetime.



Farm Credit Canada

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Direct marketing:

a great option for smaller operations

BY LORNE McCLINTON

With 1,200-sow and larger barns now the industry norm, hog production is big business. Where does this leave the small producer with just a few dozen or a few hundred sows? Is the bigger-is-better approach the only way to make money? A growing number of Canadian hog producers are taking an alternative route. They are making a living raising fewer hogs and selling them at premium prices through direct marketing.

Is the bigger-is-better approach the only way to make money?

Direct marketing allows Bonnie and Greg Spragg to make a living by pasture-raising hogs on 200 acres of irrigated land near Rosemary, Alta. Greg was barn manager at a nearby hog farm but had a dream of one day owning his own commercial hog operation. They soon found that even though pasture-raised hogs saved on start-up costs, they were losing \$10 dollars a hog by marketing through a processor.

The Spraggs decided that the only viable way to make money from their hogs was to try marketing directly to consumers.

“We started by selling some custom-made sausage at the farmers market,” Bonnie says. “We just dabbled in it the first year to see what the response would be. We could hardly keep up, so we just kept expanding.” Today they produce about 350 hogs a year. Between 150 and 200 are sold as weaners, and the other 150 to 200 are direct marketed.

Farmers markets continue to play a large role in their marketing plan. They attend two weekly, as well as selling directly through their farm store. “There are probably four or five reasons why people buy from us,” Bonnie says. “Our pork costs the same as what you buy it for in a store, but knowing the producer and knowing where the pork came from is a big draw for customers from the city. Not using antibiotics or growth hormones also brings in a fair number of customers.”



Like most direct marketers in Canada, the Spraggs have their animals killed at a provincially inspected abattoir. But unlike most, they've just opened their own processing plant and do their own cutting, wrapping, smoking and sausage-making. "We have a whole line of pork cuts, hams, bacons, pork chops, steaks and roasts as well as six different sausage products," Bonnie says. "We sell products individually as well as 15- to 70-pound freezer cuts."

Thinking of direct marketing for your operation? Better brush up on your social skills. To make an extra \$40 to \$50 dollars per animal means dealing with the public, which is a whole separate skill set.

"You're not just producing pigs anymore," says Bert Dening with Alberta Agriculture. "Now you're on the phone and you have to deal with the abattoir, the customers and money. If you don't like people and just want to work in the barn, then you might as well forget it. People who are successful like marketing and they like dealing with people."

"Marketing will take up approximately 70 per cent of your time," says Bonnie, who points out that the process

is far from being a get-rich-overnight scheme. "It's taken three or four years to become financially viable. You've got to get to a big enough size, have enough hogs going through to make it pay."

Bonnie estimates their break-even point is about 250 to 300 (market) hogs a year. This covers all costs and pays them a wage, but doesn't include a return on investment. "We're paying ourselves," Bonnie says, "and we figure that now that we are doing our own processing we can easily grow to 500 hogs."

Direct marketing in Alberta alone was a \$35-million industry in 2004. While this is still small potatoes compared to the dollar value of the commodity industry, Dening believes direct marketed sales will easily grow to \$80 to \$100 million in the next few years as small farms find viable options for their operation.

For more information, check out Alberta Agriculture direct marketing fact sheet: [www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex3482](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex3482).



Bonnie and Greg Spragg of Rosemary, Alta., pasture-raise hogs they market directly to consumers.

Breaking the injury chain



BY PETER VAN DONGEN

Farm managers and advisers commonly use benchmark ratios as a quick and dirty test of a farm's financial health. Regular monitoring of these measures can provide a useful check on the operation's performance and flag potential areas of risk – before they become critical.

But what do you do when the risk you're trying to assess doesn't lend itself to a numbers approach?

**On average,
115 people are
killed in farm-
related accidents
each year.**

Take farm safety. Quantitative measures related to farm safety are scarce at best. Yet it's no secret that failure to properly identify and manage hazards on the farm can have serious, sometimes life-changing, consequences.

We've all seen the numbers. The Canadian Agricultural

Injury Surveillance Program reports that, on average, 115 people are killed and another 1,500 are seriously injured by farm-related accidents in Canada each year. Many more minor injuries are never even reported.

If we look deeper, however, another set of numbers offers a glimmer of hope within these otherwise disheartening statistics.

Occupational health and safety research also shows that farm-related injuries and fatalities don't just happen by chance. Almost always, they are the end result of a long chain of events – sometimes as many as 15 to 25. In other words, there are many opportunities to interrupt the sequence and break the chain before a negative incident occurs. The numbers say we can take steps to alter the outcome.

"Farm safety is not an act of fate," confirms Marcel Hacault, executive director of the Canadian Agricultural Safety Association. "Most farm-related incidents are the predictable consequence of particular acts or omissions. If something is predictable, then it is also preventable."

The best part is that you don't need any fancy formulas or a financial calculator to take control of the safety risks on your farm. All you need is a clipboard and a pen.

Nearly every province has developed some sort of farm safety checklist or guide. Call it a farm safety check-up, audit, walkabout – whatever works. The key is to inspect your farm on a regular basis for the sole purpose of identifying potential hazards.

These resources typically lead you through a formal, systematic examination of the potential hazards on your farm including all work areas, tools, machinery, equipment, jobs and procedures. Experts recommend that you conduct a full farm inspection at least four times a year so you can identify seasonal risks and track your progress.

One particularly comprehensive tool is the Farm Safety Audit developed by the Institute of Agricultural Rural and Environmental Health at the University of Saskatchewan (downloadable from www.iareh.usask.ca/rhep/pubs/farmsafetyaudit.pdf). You can also find many other versions online by doing a Canadian Google search for "Farm Safety Audit" or "Farm Safety Checklist."

Just like benchmark ratios provide an indication of your operation's financial health, a formal safety check-up is a practical step you can incorporate right now into your regular risk management plan.

Like anything else that's easy to do, it's also easy to not do. To give yourself a measurable target, why not make it a goal to complete your first inspection before your next issue of AgriSuccess Journal arrives?



Value doesn't mean lowest price



BY OWEN ROBERTS

In this ongoing era of chronically low returns, price is repeatedly cited as the key to survival, let alone success. "There is only one issue in agriculture, and that's price," one farmer told me. "If we can't get a decent price, we're not in business."

Fair enough. But however justified that mantra may be on the farm, producers need to understand that price

resonates differently at other levels of the value chain. It's all too easy for activities performed in the chain to add more cost than value to the product purchased by consumers.

Value chain guru Martin Gooch, research associate with the George Morris Centre (www.georgemorris.org), says consumers are more interested

in value for their money than they are in paying the lowest price. He says price is but one construct of value and it's not always positive. For many people, low price equals low value.

So, from a value chain perspective, Gooch is urging the agri-food industry to put price in its proper place. Preoccupation with price holds back the sector, he says, and limits the opportunity to fully develop meaningful and profitable value chains.

Research designed to enhance supply chain components must consider some basic tenets of value. First, Gooch explains, understand that value is non-negotiable and personal. Humans find value everywhere, and hold it very important because it parallels their personal values.

Accordingly, they'll buy products they believe reflect those values.

For example, those who value health above all will pay extra for functional foods, those that provide an extra benefit, such as health-promoting or disease-fighting properties. These consumers see value in getting a built-in health benefit from food, rather than forking over big bucks for expensive stand-alone supplements.

The same goes for consumers who put the environment on a pedestal. They support food grown with what they perceive to be environmentally friendly practices, whether the consumers are right or not. They'll pay for food grown in a certain way, by farmers with values they believe mirror their own.

Gooch says a firm grasp of consumer motivation is often the missing link in the value chain. Scads of research take place on the production end, with major support from government, industry and academia. But once the harvest leaves the farm gate, few producers really know where the product goes and what happens to it.

They'd benefit financially, he says, if they got more involved. He points to the movement toward enriched, whole-grain bread. Farmers can be proactive in developing a value chain around it, by talking with bakers and understanding their needs and markets.

(continued)



Martin Gooch is a research associate with the George Morris Centre.

A firm grasp of consumer motivation is often the missing link in the value chain.

Many examples exist of producers receiving a premium for meeting a specific market. One instance involves Manitoba and Saskatchewan producers who grow more than 100,000 acres of wheat to specification for an English bread company called Warburtons, and receive a \$20-per-tonne premium.

Warburtons pays that premium because improved co-ordination along the entire value chain saves costs. It also gives the company the ability to produce consistently high quality products that match consumer demands. To Warburtons and the consumer, that's value.

Co-ordinated and strategic approaches eliminate some of the value chain's profit-deflating elements. Gooch cites a U.K. study that shows only 15 per cent of the tasks involved in producing a food item add value. A whopping 60 per cent are either unnecessary or don't add value, such as excessive handling.

Another study from Australia showed an average piece of fruit was handled 18 times in the Brisbane wholesale market before it reached the consumer. These kinds of production processes hinder value and limit profitability, regardless of the end product.


The same goes for producing animals. Gooch says producers could realize more value by raising animals for identifiable markets that value source-specific meat and meat products. "Instead," he says, "we send higher value animals to an auction, where they regularly get mixed in with average animals, and fetch an average price."

Gooch recently returned from New Zealand, which became a bastion of free enterprise in the 1980s when it eliminated farm subsidies and deregulated much of agriculture. Farmers there told him value chains have made all the difference for adding value, even though they're operating in the shadow of Australia and China.

"The common message I heard from everyone is that success increasingly depends on embracing the chance to exploit market opportunities by focusing on understanding and meeting consumer demands. This leads to working with like-minded players, to combine complementary resources and expertise for mutual benefit."

So let's stop talking price.

Instead, let's talk value.



According to Martin Gooch, consumers are more interested in value for their money than they are in paying the lowest price.

What's hunger got to do with it?

World Food Day 2006

Imagine a hungry child. Now imagine that child in Canada.

We produce a lot of food in this country – some of the best quality food in the world. Despite this abundance all around us, thousands of families still don't have enough to eat.

World Food Day, on October 16, commemorates the founding of the Food and Agriculture Organization by the United Nations in 1945. World Food Day creates awareness about hunger and encourages people to take action.

“We're bridging the gap between surplus and empty plates in rural communities.”

Over the years, Farm Credit Canada employees have formed an alliance against hunger by organizing World Food Day campaigns, and volunteering their time for activities across the country.

“We're bridging the gap between surplus and empty plates in rural communities,” says John Ryan, FCC President and CEO. “FCC employees are passionate about fighting hunger.”

An example of this spirit is in Olds, Alta. Each year, FCC employees support a dinner that began 19 years ago when a local baker found a homeless woman collapsed in the street on Christmas Day. He brought her to his coffee shop to warm up and fed her dinner. The following Christmas, the baker was inspired to open his coffee shop to everyone in the community with no place to go. The baker, now retired, provides dinner and non-denominational fellowship to nearly 200 people in the community hall each year.

FCC's annual Drive Away Hunger Tour began in 2004. Dale Snider, an FCC employee in Ontario, drove an open-cab tractor and trailer 200 kilometres through the Listowel area for eight days and collected 60,000 pounds of food. His goal was 30,000 pounds.

The following year Paul Lepage in Saskatoon and Rene Belanger in Moncton followed Dale's lead. Their tours collected over 108,000 pounds for food banks in Saskatchewan and Atlantic Canada.

“It's easy to assume that people involved in agriculture – the people responsible for feeding the world and providing food of the highest quality standards – always have enough to eat,” says Lepage. “Let's take pride in our ability to come together and share the food we create with those who need it most.”

This year's Drive Away Hunger Tour is province-wide in Ontario, October 10 to 16. The goal is collecting over 100,000 pounds of food. At the same time, FCC employees across the country will hold food drives to commemorate World Food Day.

At Farm Credit Canada we do more than talk about hunger, we take action.

Imagine a hungry child this Thanksgiving. Now imagine Canada without hunger.





Reason #1: Your family
Reason #2: Your family
Reason #3: Your family

Getting loan life and accident insurance just makes sense

Wouldn't it be good to know you did everything possible to protect your family if something happened to you? The new loan life and accident insurance package from FCC Agri-Assurances can help you – it's not the same old, same old. The application process is easy. You can choose the coverage you want, so you pay only for what you need. Approval often happens right away (wow). And coverage is available for up to four people on one loan. So, talk with your Account Manager today about adding or updating your coverage. Call 1-800-387-3232 or visit www.fcc-fac.ca



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