



# THE WORLD-Spectator **AG NEWS**

JUNE 2020



Cattle in the Spring Creek area.

## 2020 an uncertain year for cattle industry

BY KARA KINNA  
 Like so many other industries, 2020 has turned out to be a challenging year for the cattle industry. The World-Spectator spoke to a number of local cattle producers around the region who weighed in with their thoughts on the year and gave a general snapshot on the state of the industry right now.

**Brian McCarthy**  
 Spring Creek Simmentals  
 and Red Rose Angus

Brian McCarthy is a veteran producer and owner of Spring Creek Simmentals and Red Rose Angus in the Spring Creek area. He says he got lucky with his bull sale, which was held one day before Covid-19 shutdowns started.

"Personally, I feel very fortunate as I had my bull sale on March 12, literally a day before shutdowns started to happen," says McCarthy. "I had had a lot of interest and had a very good sale. I do worry, however, that my customers and commercial producers in general will face challenges."

"The cow-calf sector had reasonable

prices last fall and will probably have a chance to hedge reasonable prices again with price insurance. The packing plants have returned to full production and hopefully they avoid any further shutdowns. The backlog of fat cattle need to be moved so that feeders have space for this year's calf crop. Hopefully fat prices rise some as demand seems pretty good. The demand at the local abattoir level has been very good from what I have heard. I believe more consumers are thinking about buying locally.

"That being said, there is certainly frustration in the cattle industry. The farm gate prices have been dropping, yet the price to the consumer at the retail level is on the rise. There are many hands along the supply chain, and many of these hands appear to be doing much better than the producer."

"There is also frustration with the relatively little support that the livestock industry has received from the federal government as compared to other sectors. The money allotted works out to only a couple of days feed for a cow."

"Other frustrations are the carbon tax

and raising it during these times, as well as increasing government involvement in our businesses.

"Combine these frustrations with an uncertain future for business in general during a pandemic, and we could see some rough waters."

**Derek Smart**  
 Smart Farms

Smart Farms is an operation located straight east of Moosomin and straight north of Fleming.

*Continued on page B13*



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Brian Archibald



Jill Martens

# Bright young minds from U of M Ag Faculty

Amy Carruthers and David MacTaggart share a common goal of supporting others through food and sustainably, in light of a changing environment and evolving consumer needs. Here FCC profiles two young people in the ag industry who are taking classes at the University of Manitoba's Faculty of Agricultural and Food Sciences.

**BRIAN ARCHIBALD**

**Program:** Bachelor of science in agribusiness  
**Hometown:** Killarney, Man.

**Where do you see yourself in five to 10 years?**

I plan to continue grain farming alongside my family while increasing my level of responsibility to take over a larger share of the management.

It's our goal to continue to expand our operation, increase profitability and remain viable into the future for generations to follow.

I'm always open to trying new ideas that will help increase margins as well as efficiencies.

I hope that in the next five to 10 years we continue to build on our existing foundation, but also find other ways to streamline our operation that allow it to grow and thrive in the years to come.

**Why did you choose this path?**

I grew up on the farm, and like most farm kids I became involved from an early age.

I feel very lucky to have the opportunity to farm alongside my family. It's something I cherish daily. As farmers, we're very fortunate to work in an industry that's constantly advancing and changing, and I really enjoy the diversity from day to day.

The opportunity to do what I love, and to be constantly learning from my parents as well as the industry, is something I really appreciate.

There is no other job or career that allows you to have such a variety of experiences.

Seeing the constant industry advancements really excites me for the future of our farm.

**What tips do you have for others?**

Get involved in as much as you can, and as early as possible.

Through my experiences working in the industry and studying at the University of Manitoba, I have been fortunate to make contacts with people from all over Canada in various areas of expertise.

These individuals have proved to be invaluable friends as well as resources.

The agriculture industry is so diverse that by building these relationships you can always find a friend to ask.

There is so much to learn from others.

**JILL MARTENS**

**Program:** Agribusiness diploma  
**Hometown:** Boissevain, Man.

**Where do you see yourself in five to 10 years?**

I plan to be farming! I work with my family on our mixed farm.

We have a grain operation, market edible bean seed, and have a purebred Charolais cow-calf herd.

Working with my family is amazing. We work hard and have a lot of fun.

Taking the agriculture diploma program at the U of M has equipped me with management skills that I'm excited to implement at home.

Some practical examples include creating feed rations, fertilizer recommendations and crop budgets.

**Why did you choose this path?**

I am passionate about producing quality food.

Considering high land prices and start-up costs,

I'm grateful for the opportunity to farm. My parents have been generous enough to employ, teach and mentor me, for which I am very grateful.

I love the current dialogue between consumers and producers.

To me, it's important to be able to explain our farming practices to urban friends and family.

Public perception of the industry is a hot issue.

**What tips do you have for others?**

As a woman working in a male-dominated industry I have learned a few unique lessons.

First, confidence goes a long way. Certain situations might be intimidating, but confidence is empowering. Second, relying on others for help does not demonstrate weakness.

Having a good network of supportive friends makes all the difference - having someone to lean on for help dealing with farm stress.

Connecting with peers who understand the challenges of farming has been another great experience from studying agriculture at the U of M.

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-Is home to the Richardson Centre for Functional Foods and Nutraceuticals, a bioprocessing and product development facility focused on health-promoting compounds found in Prairie crops

-Is research intensive, with internationally recognized expertise and over \$13.7 million in external funding annually for basic and applied research programs

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# APAS wants better telecommunication services in rural Saskatchewan

BY ROB PAUL  
LOCAL JOURNALISM  
INITIATIVE REPORTER

With the continued issues around telecommunications services in Saskatchewan, the Agricultural Producers Association of Saskatchewan (APAS) conducted a survey from May 2019 to January 2020 on internet and cellular service in rural Saskatchewan. Over 500 rural residents from across Saskatchewan took part in the survey.

They found a high level of disruption, dissatisfaction, and disinvestment in rural communities. APAS is concerned because of the need for reliable internet and cellular coverage for rural communities to support their businesses, students, health services, and overall quality of life. 75 per cent of survey respondents said they aren't satisfied with their rural internet service and 63 per cent aren't satisfied with their mobile phone service.

"When you're out harvesting, you have no time to waste, so when slow service keeps you from getting your parts, bidding on equipment, or signing your contract, it can mean the difference between a profit and loss that day," said APAS President Todd Lewis. "It's not only the difference between making and losing money. If I get stuck out in the field and I can't call for help it can be a potentially dangerous situation."

Lewis says it was imperative for APAS to put together a survey to show how serious the telecommunication problem is throughout the province.

"It's very important," said Lewis. "The survey was over in January 2020 and we've heard

nothing, but more problems since the Covid-19 situation kicked in, with kids doing remote learning, people working from home, and increased demands on the system. In January we had four out of five people that weren't satisfied with their service. It's very wide spread and very spotty across the province."

As technology continues to advance, having reliable cell and internet service becomes more and more important for people to function at their best in everyday life and Saskatchewan hasn't prioritized the problem, says Lewis.

"When you look at the map within the survey, boy we've got terrible coverage even compared to Manitoba and Alberta," he said. "This is going to become a competitive disadvantage because so much of our business has to be done through cell service or the internet. A good example would be diagnostics on a lot of the new equipment. If you're connected you can have some diagnostics done over the internet with simply the push of a button and the dealership can tell you what's the matter and reset a tractor or a combine. But if you're not connected they have to send a service technician out and it costs real money to do that. We're getting further and further behind all the time."

The issue must be resolved, says Lewis, and he believes getting multiple groups involved in the effort can be the first steps towards improving rural internet and cell services.

"This has been a longstanding problem and we're not seeing much improvement," he said. "We'd like to see some collabora-



APAS President  
Todd Lewis

tion with SaskTel and private carriers and the provincial and federal government. We host a lot of the major industries in rural Saskatchewan, whether it be oil and gas or the potash mines. Let's work with all those groups and see if we can boost rural connectivity through some of the services they receive.

"First Nations have talked that there may be some infrastructure dollars federally to improve connectivity through First Nations. Let's work with First Nations so it serves them and the surrounding rural area as well. There's also corporate people, be in the railroads for instance, they may need to increase their connectivity for some of the things they want to do along the mainlines. If there's an opportunity, we need to have a real collaborative effort to try and increase rural service and do the best we can."

It might not seem like a major

disadvantage to some, says Lewis, but he points to how important technological advances have been in Saskatchewan through history.

"Even back in the 1920's, the phone system had to be put across rural Saskatchewan," he said. "At that time it was greatly needed to do our business. In the 40's and 50's rural electrification was a huge issue and we got electricity across the province and I don't think anybody would want to live without that now. We're quickly coming to the point where the connectivity, cell service or internet, is maybe just as important as the other two going forward and in a lot of cases even replacing the telephone service."

Lewis says the poor telecommunication services aren't just in areas far from communities, but the issue is all over the province.

"I think this is something that's being recognized," he said. "Going forward we hope we can get different groups working together on this. We're going to do another survey now to try and engage the small villages and towns. I think something that's interesting from the survey results is, it didn't make much difference if you lived close to a major city in Saskatchewan, there's still some pretty poor service."

"Certainly small towns, small urbans, and even not so small urbans—we have members around the Moosomin area that complain and they're not far off from the #1 Highway and not far from Moosomin and still their coverage isn't very good. With the potash industry right in the area at Rocanville, you'd think there would be far better coverage

than there is from what we hear from our members out there. It's just the perfect example of why we need to see an improvement and it's really starting to impact how people conduct business in the province."

Now that APAS has gathered the data to show how big a need improved coverage is, Lewis says the next step is working with the government to put together and implement a plan to address the situation.

"This is showing the governments that we need to see this prioritized and need to see some real solid planning coming forward," he said. "What is the plan, how are we going to increase it, and if there's opportunity for new technologies and those kind of issues as well, let's get on that. Also use existing technologies, the fibre optic systems in the province and understanding that some of the Crown corporations, other than SaskTel, have fibre optics and make that network available to supply cell service in the province. Let's see if some of that fibre optic network could be used for better improvements in rural areas."

"What we're looking for is to start getting a plan in motion," he said. "I know SaskTel has continuous improvements. The provincial government puts

money towards this, the federal government talks about infrastructure, and it's important to recognize that Saskatchewan has close to half the arable land in the country. It's quickly becoming a necessity to conduct business in the province and even to have people living in rural areas, we're going to need better coverage."



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# New business structure optimizes capital gains exemption

The following is a fictional case study created by MNP. When Jeremy and his wife June inherited the family farm, everyone told them to keep their day jobs. Jeremy's parents had made a living from the grain and beef operation but by today's standards, it was a small operation.

Initially, they did keep their full-time jobs and farmed on the side. It took five years before they were able to rent more land and start a very successful farm gate business selling grass fed beef.

People came to buy beef, and soon Jeremy started growing produce that also sold well. Not only were they able to leave their jobs and farm full time, they were generating increasing revenues and spending more time trying to manage tax exposure. Prepaying for seed, feed and fertilizer before year-end helped, but they needed to decide if it was time to change the structure of the business.

They had started with a sole proprietorship, which kept things simple. Then, with annual taxable income exceeding \$150,000 in each of the past three years and an expectation for revenues to continue to grow, they felt it was time to consider a business structure with a lower tax rate. They set up a meeting with their accountant to discuss their options.

The best option for them was to form a partnership and include their equipment, buildings and inventory, but leave their land held personally.

Both Jeremy and June assumed that incorporating the business to access lower tax rates was the obvious next step. But their accountant started the meeting by saying there were a lot of things to consider. She felt that a partnership was a better option for the near future, and she would explain why as they considered all the factors.

## Capital gains exemption

They started by looking at the farm's capital gains exemption (CGE). Jeremy was an only child and he had inherited the farm when his father passed away. His mother had died a number of years previously. When Dad died, the estate maximized his capital gains exemption by bumping the cost base of the farmland up to the lesser of fair market value and his CGE. In this case, fair market value for the land far exceeded Dad's capital gains exemption. The farm was paid for, but they had updated and upgraded the equipment and built a store on the home farm to facilitate growing beef and produce sales. They were carrying about \$500,000 in debt.

Their accountant confirmed that Jeremy and June each had access to \$1 million of capital gains exemption. Her preference was to leave paid-for land outside a partnership or company structure. If they purchased new land and carried significant debt it may be advantageous to hold that land within a company. As they moved forward with changes to the business structure, they would need



to be mindful of assets that qualify for the capital gains exemption. This includes farmland owned personally by Jeremy or June, shares in a qualifying farming corporation, any interest in a qualifying farm partnership, or quota.

## Succession

Jeremy and June were both in their early 40s and had two children, aged 12 and eight. It was too early to tell if the kids were interested in the farm business, but the objective was to have that option in play. The accountant advised that even if they formed a partnership for the near term, ultimately, if the business continued to grow, it would be incorporated. She felt that an incorporated entity was not an obstacle to a transition plan for one or both of the children in the coming years.

## Tax and accounting management

June did all the bookkeeping for the farm and was a bit nervous about adding complexity by incorporating or forming a partnership.

Under a partnership structure the bookkeeping would not change dramatically but there would be some additional costs for accounting and legal bills. These costs

would be offset by tax savings and the business would be easier to manage as there would be less need for income deferrals and pre-paying for crop inputs to lower taxable income every year.

## Wrap up

The accountant suggested that after a minimum two years under a partnership structure, they could consider rolling their partnership interest into a company and make use of their capital gains exemption. By moving to a partnership for a few years before incorporating, they can capture the CGE exemption on things like inventory that wouldn't otherwise qualify. This strategy also generates a tax-paid shareholder loan when they incorporate, which could be used as part of their future personal tax planning.

Based on their current situation and near and long-term goals, Jeremy and June agreed with their accountant that the best option for them was to form a partnership and include their equipment, buildings and inventory but leave their land held personally. They were glad they took the time to work through the decision with their accountant.

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# Overcoming the emotional attachment to farmland

BY TRUDY KELLY FORSYTHE

Agriculture and agri-food are big businesses in Canada, but that doesn't mean every decision at the farm level is based purely on the dollars and cents.

When it comes to farmland, economics isn't always the first measure of value. There's also the emotional connection to land that provides livelihood or may have been in the family for generations. It can be deeply personal and is often tied with not wanting to disappoint ancestors.

One Saskatchewan couple, who asked that their names not be used, operate a mixed grain and cattle farm that's been in the husband's family since the 1920s. They know all too well about the emotional value of land.

Renting land that the husband's great-grandfather purchased is a strong tie to the past. They want to move the acreage out of cropland and use it for hay for their cattle, yet the emotional tie is tight. Worried about insulting the great uncle they rent from, every year they continue to plant the same crops he always grew. They acknowledge the decision is based purely on emotion.

"Call it for what it is," says the wife. "This is an emotional decision, and you recognize there's a price you're willing to pay to have that piece of land and know that you are doing the right thing."

**DO THE MATH**

As tough as it may be, take emotion out of the equation when making decisions about farmland.

Annessa Good, an Agriculture Transition Specialist with FCC, says, while easier said than done, she recommends farmers take emotion out of the equation when making decisions about farmland, whether it's renting, selling or use of land.

"You have to look at it as a business," Good says. "Is it financially viable? What are the goals?"

However, she knows that's not the reality, so when working with her clients, she uses math to help alleviate emotion.

Consider the land use or purchase, she says, and decide how it can be used to meet the goals of the farm.

"Is it income or wealth-generating? Does it meet your short and long-term

objectives of having a financially sustainable operation, or is it going to be an estate planning process?"

She encourages farmers who are buying land to decide if they are adding acres or productivity.

"Strategic farmers will purchase and

recognize if their margin is too thin so they will sell other land to get more productive land," Good says.

**BOTTOM LINE**

There's more to farmland value than economics. Farmers may also place emo-

tional attachment to the land they farm. Acknowledging when decisions are based on emotion is important. Still, experts encourage farmers to pull emotions out of farm decisions as soon as they can and focus on making land use decisions based on business goals.



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# Why count canola plants?

BY AUTUMN BARNES

Multiple canola plant counts done about a month after seeding will provide a report card on the seeding operation and help with planning for the rest of 2020.

Farmers and agronomists can use multiple counts averaged across a field to calculate emergence percentage and seed survival. Use the "emergence" tool under the Seeding Rate tab at [canolacalculator.ca](http://canolacalculator.ca).

Farmers and agronomists can also use these counts to determine how much care this field will need all season long. For example, if counts are below the recommended five to eight plants per square foot, all remaining plants may need extra attention to bring them to harvest and preserve the yield potential of the crop.

### How to count with a hula hoop

**• Quarter-square-metre hoop.** Use a hoop with an inside diameter of 56 cm and circumference of 177 cm which provides an area of 0.25 of a square metre. Count the number of plants inside the hoop, and multiply by four to get plants per square metre. To convert to plants per square foot divide the plants per square metre by 10.

**• Two-square-foot hoop.** Use a hoop with an inside diameter of 19" and circumference of 60", which provides an area of two square feet. Count the number of plants inside the hoop and divide by two



This metric hoop is equivalent to a quarter square metre. With this hoop, multiply plant counts by four to get plants per square metre.

to get plants per square foot. Counting with this larger hoop (instead of a one-foot-square hoop) will incorporate plants from two seed rows and give a larger sample size, helping to improve the accuracy of counts.

• For other sized hoops, determine the area using the formula  $A = \pi r^2$  ( $r$  = radius,  $\pi$  = 3.14).

### How to count with a metre stick

• Use a metre stick and count the seedlings per metre of row. Take that number and multiply by 100 then divide by the seed spacing in cm to get plants per square metre.

• For example, 25 plants per metre multiplied by 100 then divided by 25 cm (10" row spacing) is 100 plants per square metre (approx-

mately 10 per square foot).

Do not include volunteer canola plants in plant density counts or emergence calculations. Look for blue seed coats attached to seedling root systems and avoid counting plants which are growing outside of seed rows.

Many factors can cause lower-than-expected plant counts. These can include weather factors such as

wind, rain and frost, insects such as flea beetles and cutworms, seedling diseases, and seeder issues such as seeding too deep or putting too much fertilizer in the seed row. While doing the counts, some scouting and records-checking can help to identify the key causes.

For more details on how to do counts, including videos, and on the com-



mon causes for missing plants, please read "Plant counts...and reasons for lower numbers" at [canolawatch.org](http://canolawatch.org). While there, you can sign up to receive the timely Canola Watch email updates throughout the growing season.

Autumn Barnes is an agronomy specialist with the Canola Council of Canada. Email [barnesa@canolacouncil.org](mailto:barnesa@canolacouncil.org).


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# Managing risk with agriculture insurance

BY RICHARD KAMCHEN  
Protecting the house and car with insurance is commonplace, but when it comes to crops, insurance coverage isn't as universally embraced.

Nova Scotia's Minister of Agriculture Keith Colwell explains crop insurance adds some predictability to producers' businesses.

Adverse weather, disease and insect infestations can have a serious impact on production and income, so having insurance is important, he says.

"It protects against the effects of yield reductions and crop losses caused by insured perils," says Colwell. "Agrilnsurance helps maintain cashflow in poor crop years with claim payments that offset losses caused by crop damage and low yields that are beyond their control." Provinces across Canada offer public and private insurance coverage.

For instance, production

insurance from Ontario's AgriCorp, a provincial Crown corporation, has plans for over 100 commodities and covers yield reductions and production losses caused by weather, disease, wildlife and insects.

### HAIL

On the Canadian Prairies, hail is one of the leading risks to crops, and no other kind of disaster produces as sudden and devastating an impact, says Canadian Crop Hail Association president Rick Omelchenko.

"You can have a crop that's producing 100 bushels per acre, and then all of a sudden, the next day, it's like summer fallow," Omelchenko says.

But not all farmers protect themselves with crop hail insurance. With tight margins, farmers seek cost savings anywhere they can, he says.

While the value of seed and inputs is obvious, "insurance is a piece of paper



until you need it."

Buyer's remorse isn't unusual when it comes to crop hail insurance: "When they don't get hail, they've bought too much. When they get hail, they haven't bought enough," Omelchenko says.

He says farmers don't have to choose between buying insurance or being

left uncovered. They could purchase enough coverage to cover their costs, but also take a deductible to maximize their dollars to get as much coverage as possible.

CCHA recommends producers have hail coverage in place early in the season as they might be unable to purchase it after storm damage, meaning they'd be

left to carry the full risk for the rest of the year.

**AGEXPERT**  
Crop insurance can be time-consuming, but FCC

AgExpert aims to save farmers time on bookkeeping and paperwork, says program director Darcy Herauf.

With AgExpert Field Premium, customers can enter their data, and the program will generate reports for seeded area, harvest production, and stored inventory.

### BOTTOM LINE

Consider crop and hail insurance as risk management tools. They may not be necessary to curb the havoc nature can bring to production, but it's money well invested if there is weather damage. With various levels of coverage and deductibles, farmers can choose their comfort level for risk.

## Key recommendations outlined in forage insurance review

After extensive engagement with the public, the Manitoba government released details of a review on forage insurance programs offered by the Manitoba Agricultural Services Corporation (MASC), Agriculture and Resource Development Minister Blaine Pedersen announced recently.

"Regardless of the type of crop, producers are faced with tough decisions on what products make the most sense to help manage risk," said Pedersen. "It is important to get feedback so that we have a clear picture of what products they need to support their success in the agricultural industry. We're pleased with the input we received from the many invested stakeholders and look forward to making improvements to the program where possible."

The review was initiated to get a better understanding of the purchasing decisions of Manitoba producers in terms of forage insurance products available to them.

Several key recommendations were made and immediate action items will be undertaken by MASC prior to the next insurance year. Some of which include:

- exploring new methodologies to assign coverages to new insureds,
- determining if the effect that disaster years have on future coverage can be minimized,
- establishing insured values that better reflect the price of hay in claim years,
- identifying areas where the administrative burden for insureds can be

minimized,

• reviewing the indexed insurance approach used in other jurisdictions which relies on weather or satellite-based technology, and

• working more closely with industry to inform producers and increase awareness of the MASC Forage Insurance programs.

The review was conducted using a number of different methods, including the EngageMB portal, focus groups and interviews with producers, MASC insurance agents, agricultural specialists, industry associations, financial advisors, as well as other insurance providers.

More than 1,200 producers currently have forage insurance through MASC, insuring more than 272,000 acres. This represents about

18 per cent of the more than 1.5 million eligible acres of forage in Manitoba.

The Forage Insurance program is part of Agrilnsurance, a joint program of the Government of Canada and the Province of Manitoba under the Canadian Agricultural Partnership.

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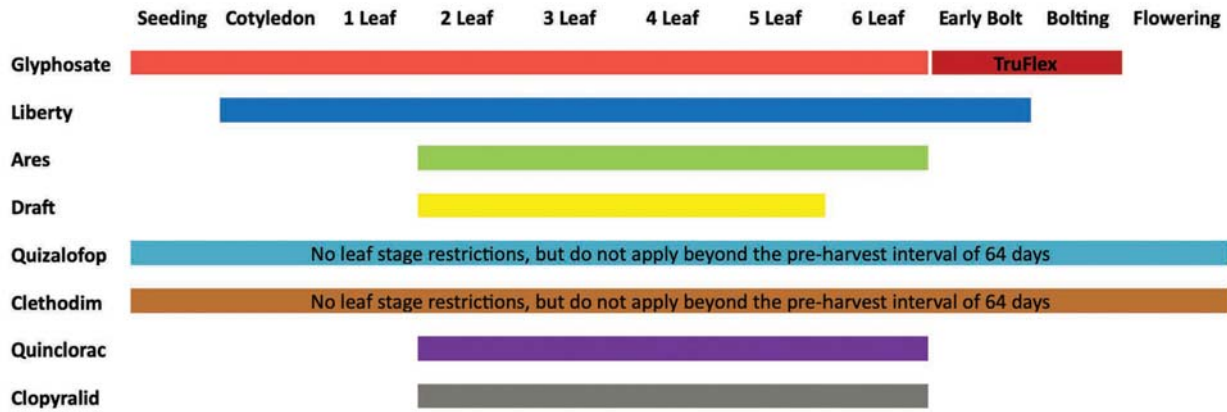
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## Herbicide Timing and Canola Staging



Source: 2020 Saskatchewan Guide to Crop Protection

This graph shows the window of application based on crop stage for herbicides used in canola.

# Delayed weed control? Make it count

BY IAN EPP

For canola fields that have not been sprayed this year, effective weed control may come down to one herbicide application—so make that application count.

Start by assessing the weed and crop stage situation in each field. Answers to the following questions can determine the course of action, including rates, tank mixes and more: How many weeds are present? How big are they? What species are they? What is the crop stage? What is the crop stage relative to the weed stage?

If weed population is greater than the crop population and weeds are more advanced or at the same stage as the crop, the highest available rate of herbicide may be required to provide the best weed control.

Know the weeds present, and know the herbicide rate

required to truly control those weeds.

If you have a lot of grassy weeds in a Liberty Link canola field, you will want to tank mix clethodim with the Liberty (glufosinate) at a rate suited to the infestation level. Or, if it's a Clearfield or Falco crop, you may want to spray grassy weed herbicide early and save the partner broadleaf herbicide for a second pass. Those partner products can only be sprayed once per season.

If cleavers are a problem, a tank mix with quinclorac may be recommended. When using a tank mix, pay attention to the mixing order. It often changes based on the products in the mix. Talk to your retailer or check with the company for the mixing order specific to your tank mix. This is often critically important to avoid clumping and other major issues.

And finally, if the crop is moving toward the end of its herbicide spray window, it's most likely that the crop will be sprayed only once. Under such circumstances, maximize herbicide efficacy by putting together an effective tank mix, choosing the higher herbicide application rate, and spraying under good conditions.

For more details on rates, tank mixes and timing for each canola system, please search for the article "Weed control strategies for each HT system" at canolawatch.org. While there, you can sign up to receive the timely Canola Watch email updates throughout the growing season.

Ian Epp is an agronomy specialist with the Canola Council of Canada. Email [eppi@canolacouncil.org](mailto:eppi@canolacouncil.org).

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# Why farmers rely on cash flow projections

Agriculture is a numbers game. Farmers need to determine a fair land rental price or if their operating line of credit will get them through tight times. While uncertainty around factors such as the weather makes it nearly impossible to know exact revenue and expense numbers, it is possible to get accurate estimates using cash flow projections.

Cash flow projections, or cash flow budgets, are estimates of cash receipts and expenses expected to occur during a certain time period, says Kevin Hursh,

a Saskatoon-based agrolgist and commentator. Operators use their best guess to determine expected yield and prices to come up with income figures and use their expected costs to calculate expenses.

Scott Thom doesn't take chances. He creates in-depth projections that include all expected income and expenses for his feeder hog and cash crop operations near Denfield, Ont. He uses conservative yield and price estimates for both because he prefers to be pleasantly surprised by having more income than

## Benefits of cash flow planning and analysis

- Know when cash flow will be tight so you can plan for the shortfall
- Identify the best loan term and repayment schedule
- Make marketing decisions that are not under cash shortfall constraints
- Analyze impact if interest rates rise or commodity prices drop (sensitivity analysis)
- Help you decide to lease or buy a major piece of equipment

Source: [fcc.ca/Knowledge](http://fcc.ca/Knowledge)

If there's a big discrepancy between his numbers and OMAFRA's, he'll generally defer to theirs unless he can identify exactly why he should use his own.

"Once I have this worked out and have an idea about what I plan to grow and how many pigs I plan to produce, I can pretty easily determine how I'm going to make out," Thom says. "Then, if more land or another barn comes up for rent, I can plug in the numbers and see if I would make more money or if I'm just making more work for myself."

planned.

"Crop expenses are fairly straightforward," Thom says. "I break them out the same way my accounting books do. I use crop insurance figures for minimum yield and price. Livestock is more difficult because accounting programs like to lump too many expenses together, and the hog price changes every day."

He generally uses the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) cost of production numbers for both income and expenses as a starting point.

A big advantage to cash flow projections is they highlight when cash flow could be tight, Hursh says. Since you can spot these well in advance, you can create a marketing plan and have funds on hand when you need them, eliminating last-minute sales.

"You have to be realistic with your numbers," Thom emphasizes. "Keep in mind that the yield isn't really the yield until it's harvested, and the price isn't the price until it's sold. It's better to err on the conservative side. No one ever complains when they exceed projections."

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# Crop report: Wind starting to calm down, but rain needed

Windy conditions continued in most of the province last week, but started to calm down in other areas. This allowed more farmers to get into the field to spray for in-crop weed control and insect pests. Wind continued to dry the topsoil moisture but rain in many areas has helped to alleviate some of these issues.

Dry conditions and cool temperatures have slowed hay and pasture growth, specifically in the southern and east-central regions. Most of the province received at least a small amount of rainfall last week. The Gouldtown area in the southwest region received the highest amount of rainfall with 73.5 mm. Most farmers would welcome more rain, but some that received high amounts of rainfall over the past few weeks have indicated that some fields are saturated and that wet fields have delayed spraying.

Provincially, moisture levels on crop land remain at the same level. Hay and pasture land moisture levels have reduced slightly, particularly in areas that received less rainfall this week. Cropland topsoil moisture is rated as two per cent surplus, 69 per cent adequate, 22 per cent short and seven per cent very short. Hay and pasture land topsoil moisture is rated as two per cent surplus, 55 per cent adequate, 26 per cent short and 17 per cent very short.

Areas that received more rainfall in the past few weeks have reported that crop and pasture development has improved. Warm temperatures have also helped with crop development. Farmers in the east-central and southern regions report that lack of rainfall in some areas has reduced hay and pasture growth and will delay the timing or reduce the amount of hay for the first cut.

Crop development is around the normal development stage for this time of year for most crops. More of the oilseed crops are considered behind normal.

Provincially, 68 per cent of fall cereals, 69 per cent of spring cereals, 60 per cent of oilseed crops and 74 per cent of pulse crops are at their normal stages of development for this time of year. Dry topsoil moisture conditions have resulted in delayed emergence and development of later

and smaller seeded crops.

Flea beetle damage was reported in most regions of the province which has affected canola development for some. Farmers have been busy spraying, branding and vaccinating cattle, and rolling and hauling grain. There have been isolated reports of reseeding due to damage from wind, dry conditions, insect pests and hail.

In the southeast region there was minimal rainfall last week, ranging from zero to 10.2 mm in areas west of Moose Jaw. The Whitewood area received three mm, the Kisbey, Odessa and Vibank areas five mm, the Weyburn area five to six mm and Briercrest area six mm. The Frobisher area has received the most precipitation in the region since April 1 (100 mm).

Moisture conditions were maintained for crop land, but there have been more fields reported as short to very short for hay and pasture land. Cropland topsoil moisture is rated as 47 per cent adequate, 40 per cent short and 13 per cent very short. Hay and pasture land topsoil moisture is rated as 25 per cent adequate, 51 per cent short and

24 per cent very short.

Minimal rainfall this spring and cool temperatures have resulted in delayed growth, especially in hay and pasture land. Farmers indicated they may have a reduction in hay yield and that the first cut may be delayed due to slow growth. Many are hoping for a general rain to help with crop, hay and pasture development.

Regionally, 87 per cent of the fall cereals, 73 per cent of the spring cereals, 70 per cent of the oilseed crops and 65 per cent of the pulse crops are at their normal stages of development for this time of year. Eleven per cent of the fall cereals, 23 per cent of the spring cereals, 29 per cent of the oilseed crops and 29 per cent of the pulse crops are behind in crop development.

It remained quite windy for most of the week, but has recently calmed down, allowing farmers to make more progress spraying. There have been localized reports of farmers reseeding due to hail and gopher damage.

Farmers are busy spraying for weeds, flea beetles and cutworms.

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# Covid-19 disruptions bring opportunities and challenges to food supply chain

BY ADAM SMITH

The Canadian economy has been under a lot of stress. The first quarter Gross Domestic Product declined by 8.2% YoY, and the unemployment rate reached 13% in April. And there's likely more negative economic data coming in the second quarter and household income will be pressured.

Yet, retail food prices jumped 3.4% in April year-over-year (YoY), with red meat inflation reaching more than 8%. Many farm product prices were down YoY in April due to the foodservice shutdown and production disruptions induced by Covid-19.

The Covid-19 pandemic has disrupted the food supply chain, farm to fork. And these disruptions could have lasting effects.

**THINK GLOBAL**

Trade has been an important component of the continued expansion of Canada's agriculture and agri-food sectors. Our ag and food exports totalled \$68.5 billion in 2019, with both exports to the U.S. and the rest of the world recording 88% and 71%

growth in the last ten years. Traditional trading partners such as the U.S., Europe, and Japan will remain key markets. However, the expansion of the global middle class offers opportunities. China is an obvious driver of trade. But there are also other Asian economies like Vietnam and Indonesia where our ag and food exports grew 548% and 253% over the last decade.

Real-time trade data from the International Monetary Fund showed that world trade in "dry bulk" goods dropped almost 9% through the pandemic with larger declines in other goods.

A future backlash against trade is possible from countries that associate self-sufficiency with food security. However, there's reason to be optimistic as World Trade Organization members reported many new trade standards and regulations. Still, half of them were intended to facilitate trade, especially when it comes to food. And early year-to-date export numbers suggest that export disruptions have been minimal in



the agri-food industry.

**ACT LOCAL**

Consumers' awareness of where their food is coming from was growing before the pandemic. Many Canadians have recently sought out local ingredients and food products as they have found a new affinity for cooking and baking. This trend is likely to remain strong. Recent survey data from Angus Reid supports this, with 63% of people wanting to buy more local food in the

future. This push for local has spilled over into the foodservice sector with recent social media campaigns encouraging Canadians to support their local restaurants.

According to a report from the University of Dalhousie, about 9% of Canadians plan to shop online for food—before Covid-19, this was less than 2%. As with any large and sudden shift, some consumers may eventually return to their more traditional buying habits. Retailers are likely

to increase investments in online and digital channels to maintain this level of consumer demand. This will expand market opportunities for Canadian food processors and producers in shipping directly to consumers.

Rising costs can influence profitability throughout the supply chain

The ratio of the industrial product price index to the farm product price index provides an estimate of the gross profit margin

in specific processing sectors. In the red meat sector, the combination of higher red meat prices and lower cattle and hog prices has increased the margin ratio by 20% YoY in April 2020.

But profitability extends beyond the raw material costs. Food processors have made significant investments to maintain the reliability of the food supply chain, such as additional protective equipment for employees, pay incentives and enhanced cleaning and safety protocols. The current economic situation makes it difficult to pass on higher costs to consumers. Higher costs, coupled with diminished output in some sectors, have weakened the profitability outlook at the farm and processing levels.

The Canadian agriculture and agri-food industry will find various opportunities and challenges emerging from the Covid-19 crisis. Planning now for different scenarios involves reflecting on what new relationships across domestic and global supply chains mean for food demand, prices and profitability in the future.

## Parkland College research farm field day cancelled

Parkland College and the East Central Research Foundation (ECRF) have cancelled their annual Research Farm Field Day for 2020 due to COVID-19.

Public gatherings in Saskatchewan are currently limited to 30 people, and physical distancing guidelines remain in effect. The field tours, held annually in July at the research farm just south of Yorkton, typically attract close to 100 farmers, agriculture professionals, and industry representatives.

In lieu of an in-person event, researchers are planning to record a virtual tour of this year's research projects. The video will be shared online and posted at [www.ecrf.ca](http://www.ecrf.ca), likely around the middle of July.

This season, researchers

are conducting a number of trials and demonstration projects on land supplied by the City of Yorkton. Some of these projects are supported by the provincial government Agriculture Demonstration of Practices and Technologies (ADOPT) program, with others sponsored by busi-

nesses in the agriculture industry.

Last month, Parkland College was awarded a \$200,000 research grant by the Natural Sciences and Engineering Research Council of Canada (NSERC). The grant is being used to hire students for work integrated learn-

ing opportunities at the research farm, while also funding the purchase of new equipment.

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# 2020 an uncertain year for cattle industry

Continued from page B1

Derek Smart says half of his animals are purebred and half are commercial, and they grain farm a couple thousand acres and have a bull sale in March. "And honestly the social distancing probably wouldn't have saved us at all because we tend to naturally social distance most of the year, but it hit right over bull sale time and that really made it hard to have a bull sale when you can't have people out," says Smart about the Covid-19 situation.

"And it sounds like some marketing opportunities are gone—things like Agribition have been cancelled for this year. So I guess they will be looking to next year."

Smart says one of the biggest challenges facing the industry has been keeping the processing going.

"The main thing has been the packers," he says, "and for the cattle side of things, trying to keep the processing going. They were shutting down shifts which caused a backlog of killing, which hurt the cull market a bit on the cows. And then there were talks of the border closing from our protectionist friends to the south there, so we weren't sure what was going to happen."

"Then for price insurance it kind of went through the roof a little bit, but the Saskatchewan government came out with a plan to help cover 40 per cent of the extra increase in cost on the price insurance. It's still not a lot, but every little bit helps, and with the price insurance a producer can at least get a floor price on the calves you are selling, and if the market goes up, great, you'll get more, but at least you know you are going to get that set amount."

"I think the cull market has been a little bit soft compared to last year. I haven't heard a lot on calves. The price insurance, they say it is going to be kind of an average year just by what they are willing to insure at, but I guess you never know how it is going to shake out until it comes. As far as the calf market, they don't seem to be changing a whole lot right now, but we'll know better come September what things look like, and obviously if all of a sudden there is a resurgence of Covid-19 and things are closing down, well that could be a big challenge."

"From what I'm hearing, there have been a lot of people who are selling their products direct, there has been a lot of increase in that. Some of the ranches that are direct to customers in the cities, they've been selling out, and people have been buying direct. With the increase at the grocery stores it's not that much different in price and they are getting to buy local meat, so there has been a bit of a jump in that market."

Smart says he blames Covid-19 for most of what is going on in the industry this year.

"Most of it has been Covid-inspired as far as the backlog on the cull market, because obviously if they get behind in butchering it causes some issues. They've been able to keep the sales going by video sales during Covid-19. Bull sales were hurt. I know with our sale you weren't allowed to have a lot of people, so you had to do the online thing and then you just didn't see that local market that would be there to buy something. So there wasn't that community side of that. It definitely hasn't helped."

Smart says other than the price insurance program put out by the provincial government, there hasn't been much aid for the cattle industry.

"There is a lot of insurance on the grain side of things, but livestock has always been kind of lacking programs. This has been the first program that has ever come out, and the government just did a little bit to help make it more affordable because the price pretty much doubled to buy that insurance when Covid hit because they weren't sure what was happening, and the premium went up pretty fast, and then things kind of levelled off but they still were a little higher for a premium, just not knowing where things were going to go as everything unfolds."

"So what happened was when it doubled in price, the Saskatchewan government stepped in and offered to pay 40 per cent of the extra, as well as they extended the deadline an extra 18 days for people to purchase. It sounded like the federal government was not going to kick in but the provincial government did. So that was one nice thing the government did to help farmers here in Saskatchewan."

Smart says there may be an upside as well to the whole situation with Covid-19.

"I guess I would just hope that in general, just for society, maybe it will be a priority shift and people maybe will remember what is important, and hopefully there is more family time being invested. But also it would be really nice to see more value added and more industry come to Canada instead of always just exporting our rural products—that would be ideal, but that's a pretty loaded and high agenda."



## Phil Birnie WRAZ Red Angus

Phil Birnie with WRAZ Red Angus five miles east of Wawota says it might take a while to gage the total impact of things like Covid-19 on the industry this year.

"We're a seed stock operation that is purebred Red Angus, and we sell bulls the third Saturday in April every year and we have a female sale in the fall and December every year. And in between we market cattle in various ways," he says.

"Yes, Covid-19 definitely has affected the industry, but I don't know if we know yet how much it has affected the industry to be quite honest," he says. "If you were feeding cattle and had the marketing of those cattle, it has definitely been altered, but a lot of people had marketed last year's calves already, so until fall you're not really going to know what has happened. That's one of the biggest things for the majority of commercial producers that are selling calves in the fall. So far it's an unknown."

He says there has been a lot of inconsistency in the industry.

"Up until now the regular things that we would sell have hung in there not too bad," he says. "The fat cattle price, the price going to the butcher market, that's where the problem is, and it's all over the map."

"The packing industry shutting down because of Covid-19 is the biggest issue that we're facing right now, but it's a bit of an unknown at the moment too. It drove up the price on the shelf in the store, but it drove down the price at the farm gate."

He says bull sale season was affected this year due to Covid-19.

"For me, bull sale season was strange because everything had to go online," he says. "Nobody could really have people at their bull sale, so that was unique. Not that we haven't had internet access to the sale, but it was pretty much 100 per cent that way this year. That is not a positive in my mind."

He says breeders are affected by the commercial market, and that's also something to note.

"For us guys who are selling breeding stock, we need those commercial producers to be able to have a decent idea for what's happening in the fall. Otherwise they're not willing to spend any money either, like the rest of us," he says.

Birnie also says the dry weather is starting to be a factor this year for pasture.

"There was all kinds of moisture last fall but right now we're looking for rain in our area," he says.

## Mark Wushke Emmatt Creek Ranch

Emmatt Creek Ranch is located just west of Whitewood. "We're 80 cow-calf pairs, purebred Red Angus, with a few commercials," says Marke Wushke. "We sell purebred Red Angus bulls."

Wushke says they were planning to have a South East Angus tour stop at their place in mid-August, but he's not sure if that will happen this year.

"Normally that would bring 200 or 250 people to the yard to see our cattle, but we're not sure how it is going to work. We're planning as if it is all going to be going ahead, but if things don't open up then it will have to be cancelled."

Wushke says inconsistency in pricing, as well as lack of rain, are two of the biggest challenges to cattle producers this year.

"We have no idea where the pricing is going to be this fall, and the drought for us is really bad," he says. "Kipling got two inches last night (Wednesday) but we didn't. So that is the biggest concern for our farm right now—the lack of rain, and then just the uncertainty of where this is going price-wise. We are still optimistic, but if you think about it, there is no baseball, there is no football, nobody is eating as many hotdogs and smokies and things like that, so it is going to cause less demand for sure. Those are the main concerns."

Like a lot of producers, Wushke has purchased price insurance, but he says the provincial government program to reduce the premium is not a lot of help because the cost jumped so much this year.

He says Covid-19 has been a big factor in everything that is going on.

"It has affected the uncertainty of the price. The calf prices have been just up and down and cull cow prices are down quite a bit because of it," he says.

"I'm blaming it on that (Covid-19), because it has totally changed the way people are buying food. The restaurants aren't buying the high end cuts now, but the grocery stores are still selling a lot more, so the packers have to change the way they are cutting the meat and there is demand for cuts that there wasn't before and they've lost market on cuts they would sell at the restaurant, so they've had to adapt. But it's concerning how much they're (the packers) making and how much we're not. So somebody is making the money, and it isn't the farmer."

He says this is also one of the worst years he's seen for pasture.

"For our operation it is a concern because we're running out of pasture and the hay is not growing. This is the worst year we've had since we've started farming as far as the condition of the pastures. We've had a total of six tenths of rain."

Despite the negatives, Wushke says there are also some positives to being a cattle producer at this time.

"We are still blessed," he says. "I wouldn't have wanted to live anywhere else through Covid-19 because we're on the farm, we're not locked in a little one- or two-bedroom apartment. I mean it (Covid) is a concern for sure, but we're surviving okay. We're not having issues at our place because of it. We just adapt and move on and I'm thinking the prices will come back."

"It hit just when we were calving, so we really didn't notice. We were basically quarantined for calving anyway because we were too busy to go anywhere."

"You can't go to auction sales, and I miss that, seeing the people, but as far as our operation it hasn't affected us the way it has some other industries."

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# Canadian farm cash receipts: Looking back at 2019 and forward to 2020

BY SÉBASTIEN POULIOT  
PRINCIPAL AGRICULTURAL  
ECONOMIST AT FCC

The ongoing pandemic is set to test the resilience of farms in 2020. Statistics Canada's estimates of 2019 farm cash receipts (FCR) suggest a relatively positive year for agriculture. FCR increased in 2019 by \$3.6 billion, or 5.7%. This is the strongest percentage growth observed since 2008. A good chunk of that growth, about \$1.7 billion, comes from cannabis production. Excluding cannabis, FCR grew by 2.9%.

The table below shows the provincial estimates of FCR for 2018 and 2019 and our 2020 forecasts.

### LOOKING BACK AT 2019

Cash receipts evolve differently across provinces, depending on their mix of agricultural activity:

In the Atlantic, strong growth comes from a large increase in crop receipts.

In Quebec, Ontario and Alberta, growth is split evenly between growth in crops and livestock receipts.

Manitoba and Saskatchewan recorded crop receipts declines and marginal increases in livestock receipts.

British Columbia recorded large growth in its crop receipts and moderate growth in its livestock receipts.

### WHAT CAN WE EXPECT IN 2020?

The first quarter of 2020 was relatively positive. FCR grew by 5.5% compared to the first quarter of 2019. Once again, the picture looks different if we put aside cannabis production: FCR grew 0.8%, excluding cannabis receipts. Crop receipts (excluding cannabis receipts) declined 4.7%, while livestock receipts were up 3.9% as the COVID-19 crisis had no significant impact until the end of March. FCR grew in Ontario, Quebec and British Columbia but declined in Manitoba and Saskatchewan.

Since the end of Q1, farm income has plunged for several sectors. There's a considerable degree of uncertainty for the rest of the year. Our 2020 forecasts consider the different COVID-19

Table: Farm cash receipts (million dollars)

	2018	2019	2020*
Canada	62,499 (0.5%)	66,052 (5.7%)	63,807 (-3.4%)
Alberta	13,519 (-4.3%)	14,841 (9.9%)	14,205 (-4.3%)
Atlantic	1,926 (5.8%)	2,173 (12.8%)	2,045 (-5.9%)
British Columbia	3,462 (6.4%)	3,924 (13.3%)	3,791 (-3.4%)
Manitoba	6,627 (-1.0%)	6,638 (0.2%)	6,490 (-2.2%)
Ontario	14,016 (4.8%)	14,736 (5.1%)	13,938 (-5.4%)
Quebec	8,900 (1.3%)	9,652 (8.5%)	9,052 (-6.2%)
Saskatchewan	14,048 (-0.8%)	14,088 (0.3%)	14,285 (1.4%)

Sources: Statistics Canada table 32-10-0052 and forecasts from Farm Credit Canada.

Notes: \* indicates FCC forecast. The numbers in parentheses are percentage changes from the previous year.

impacts across ag sectors.

We expect Canada's total FCR to decline by about 3.4% in 2020—the worst year-over-year performance since 2003. Note that these estimates include anticipated agri-stability and other direct payments.

The provinces the most negatively impacted are those with a greater share of their farm income from livestock. Farm prices for cattle and hog are significantly down, and production quotas were cut for milk, poultry and eggs.

Receipts from grains, oilseeds and pulses are projected to climb, assuming average yields. As such, we expect FCR in Saskatchewan to grow.

In Manitoba, growth in grains, oilseeds and pulses will not be sufficient to compensate from losses in the hog sector.

### PREPARING FOR DIFFERENT 2020 SCENARIOS

We're not yet at the mid-point of the year, and a lot could happen before the start of 2021. Farm financial planning must stay top of mind for operations. Managing cost growth will be key. In 2019, operating expenses climbed by 5.6%. Net cash income rose 5.8%, still far from its 2017 peak. Farm debt increased by 8.2% in 2019. Low interest rates will help operations meet their debt obligations that are likely to continue increasing in 2020. There are a few early indicators to monitor for a possible rebound of the farm economy.

Any growth in FCR would alleviate some of the financial stress in the industry.

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# Sask international offices opening in major markets early in 2021

New offices to help businesses navigate trade and investment opportunities, increase exports

The Government of Saskatchewan is moving forward with plans to open three new international offices. Developed to facilitate investment and trade efforts to grow the province's exports and economy, the offices to be located in Tokyo, Japan, Singapore, and New Delhi, India, are expected to open in early 2021.

"International offices, and a sustained international presence, are a key component of our strategy to grow Saskatchewan's economy as we emerge from the Covid-19 pandemic," Trade and Export Development Minister Jeremy Harrison said. "Today, as we re-open Saskatchewan, a continued focus on export development and trade growth is as essential as when we laid out our ambitious plan in Saskatchewan's Growth Plan 2030."

The new international offices will provide services to facilitate investment in Saskatchewan and enhance exports to Asia, including providing information on trade and investment opportunities in Saskatchewan, assisting with investment and trade mission planning for incoming delegations, strengthening partnerships and connecting Saskatchewan businesses with buyers in Asia, and providing information and assistance on in-market trade laws and regulations. Where feasible, the intent will be to co-locate the offices with existing Government of Canada offices.

"Saskatchewan has what the world wants and needs, but in an increasingly volatile trade environment, we need to di-

versify and strengthen our export markets, while continuing to showcase to the world what a resilient and great place our province is to invest," Harrison said. "Our exports have seen significant growth to Asia in the past decade, to major markets that we need to keep and grow during our economic recovery and to achieve those aggressive targets in the Growth Plan 2030."

The Government of Saskatchewan also welcomes the recent announcement by the Government of India that tariffs on lentils have been temporarily reduced from 30 per cent to 10 per cent, effective from June 2 to August 31, 2020.

In November 2019, Minister Harrison went to India on a trade mission and was joined by Stephen J. Harper, CEO and Chairman of Harper and Associates. In India, they met with senior government ministers and officials, and stressed the importance of increased trade between Saskatchewan and India, and advocated for the elimination of trade barriers. Agriculture Minister Marit also visited India in February 2020 and gave the keynote address at the Global Pulses Conclave, noting the importance of transparent and predictable trade.

Saskatchewan exports approximately 68 per cent of the products it produces. Total international merchandise exports in 2019 were valued at approximately \$30 billion. The province's top exports include agricultural products, potash, oil and uranium.

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