

# Forage Facts



Published by the Peace Country Beef & Forage Association

October 2022, Volume 18, Issue 213

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## Finding Fairness in Farm Transition Workshop Sneak Peek!

By: Elaine Froese

Have you ever had a fight over what the family thinks is fair? How do we tell our non-farming children they are not getting a RAW deal? What can we do to get the family to the table to talk about this?

Fairness means different things to different farm team members and the non-business heirs.

Do you know your income streams for the next 25 years? Housing? How to help everyone in your family be successful?

### Session solutions:

-Learn to ask powerful questions to uncover what fairness means to each individual involved in your farm transition process.

-Glean better conflict resolution language to help you navigate tough yet courageous conversations to

transfer assets and build harmony in your farm family.

-Activate the FAIR approach of financial transparency, attitudes towards money, intentions, and roles and rebels approaches.

-“Develop your why (your intent) and you can bear almost any how.” Friedrich Wilhelm Nietzsche.

-Know the questions to ask and how to get better understanding of what fairness looks like to you, and each family member. Questions about debt servicing, gifting, farm viability, entitlement and defining reasonable expectations.

Join us on Friday, November 18th at the Chateau Nova in Peace River from 10am-3:30pm for a session with Canada's Farm Whisperer, Elaine Froese. This workshop is \$75/Person and \$140/Farm Unit. register by calling 780-523-4033.



Present:  
**Finding Fairness in Farm Transition with Elaine Froese**  
Nova Chateau, Peace River  
Friday, November 18th

Submitted by the Beef Cattle Research Council

Are you making money FOR the farm or FROM the farm?

If you are relying on off-farm income to cover the day-to-day expenses on the farm, you are subsidizing the farm with off-farm income, in other words, making money for the farm.

But what about digging into personal savings to replace machinery when old iron breaks down? Or working for less than what you would pay someone else to do your job? Or being financially better off renting out owned land?

If you answer “yes” to any of the above questions, you may not be covering the total cost of production or being profitable in the long run.

When measuring cost or profits, some producers may only focus on the cash expenses and ignore other non-cash costs such as depreciation, unpaid labour and rent for owned land. These non-cash costs are important elements affecting the longevity of a farm.

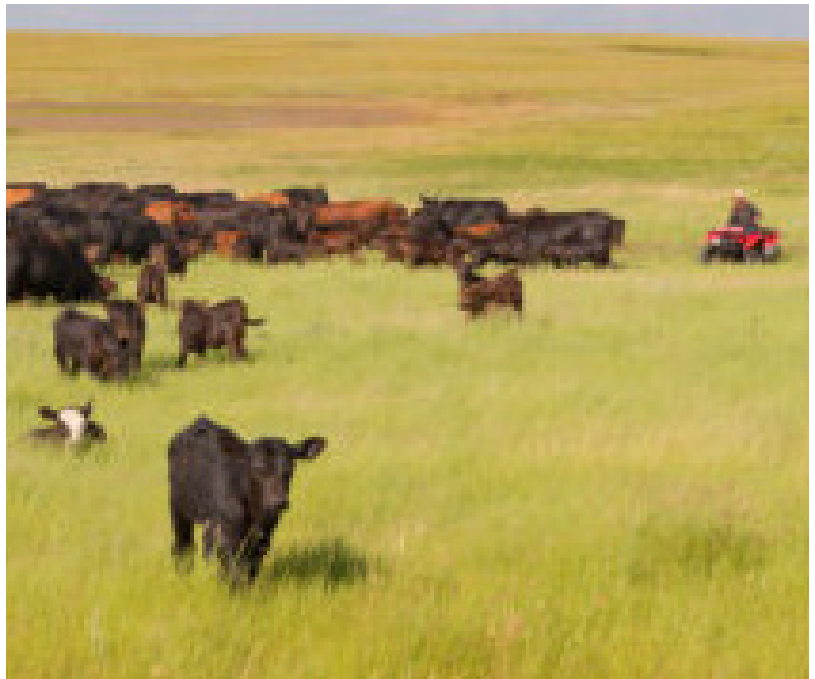
Here are some of the non-cash costs to consider:

## Depreciation

One of the non-cash costs that can significantly impact profitability is depreciation.

Depreciation is the value of an asset that decreases over time due to use, wear and tear or becoming outdated. For example, if the total value of a piece of farm machinery is \$100,000 with a depreciation rate at 10% per year, the depreciation cost is \$10,000 per year.

From a cost standpoint, tracking depreciation is important because it helps account for the costs of using this asset and allows the operation to



replace assets in the future. Ignoring depreciation can result in under-estimating production costs and misleading decision-making. For example, if a farm covers all the cash costs, it may appear to be profitable in the short term. But if it is not covering all the cash costs plus depreciation of buildings, equipment or farm vehicles for multiple years, when these need to be upgraded five or ten years down the road, there may not be enough money generated from the farm business to pay for the investment.

## Unpaid Labour

Unpaid labour is usually the labour provided by the farm operator or family members that is not paid. According to the Census of Agriculture 2021, only 7% of beef cattle farms reported employees receiving a wage or salary that were family members.

While many cow-calf operators choose to work on the farm and take only as much as they need to live, estimating the true cost of farm labour is important to determine overall production costs and profitability.

# Or FROM the Farm



One way to evaluate the value of unpaid labour is to ask: “What would I have to pay someone else to do the job?” For example, if a farm owner values his/her work at \$20 per hour and works seven hours a day, six days a week, 50 weeks a year (2,100 hours), the wage they should be getting is \$42,000 a year. This doesn’t show up as a cash expense, but if it is not covered, the owner is subsidizing the farm with free or undervalued labour, instead of making money from the farm.

The cost of unpaid labour is often considered the opportunity cost of labour – the money forgone by working on the farm. Another way to estimate this is to ask how much you could earn doing something else. If one could earn \$30 per hour working elsewhere, the opportunity cost of labour is \$63,000 foregone by not being employed elsewhere. This is a personal choice of where to spend one’s time and should not be counted in the farm’s cost of production, but it should be acknowledged as a personal opportunity cost.

## Owned Land

Another important non-cash cost is the rent for owned land. By farming owned land, a producer is forgoing the potential revenue of renting out the land. This can be considered as the opportunity cost of land. For example, if the typical rental rate for the same type of land in the region is \$100 per acre, the potential revenue forgone by not renting it out is \$100 per acre.

Renting out one’s farmland is not an easy decision. As the market fluctuates from year to year, it might be better financially to rent it out in some years but not over the long term. However, this is a decision that typically cannot be changed from year to year very easily. Often, there are also sentimental reasons behind the decision in addition to economic considerations. With that said, including rent for owned land in production costs is important for measuring the farm’s financial performance and to help when setting goals. If one

cannot afford to pay the going rental rate for their region on their owned land constantly, they may need to look for ways to improve production and management to cover those costs.

Another layer of the opportunity cost of land is the potential income from selling the land and investing the money elsewhere. For example, if the market value is \$5,000 per acre and one can sell the land and get a 5% return by investing the money elsewhere, the potential income forgone is \$250 per acre ( $\$5,000 \times 5\%$ ). Many producers treat land appreciation as a retirement or investment strategy. Evaluating where that money is best invested for retirement, whether it is in land or elsewhere, can determine if purchasing more land is what is most desirable.

## Capital

Like land, there are opportunity costs of cash equity being re-invested in the farm instead of being invested elsewhere.

Over the long run, the opportunity costs from land, labour and capital are supposed to reflect the market value return on investment to your land, labour and capital. When the return to land, labour and capital is equal to or greater than the market value it shows that you are making money from the farm.

## Bottom Line

Depreciation and opportunity costs don’t show up as cash costs, but they have significant impact on the viability of the farm. They tell you if you are making money for the farm or from the farm. Getting a grasp on these numbers can help producers better measure farm financial performance, make informed decisions and set goals.

*This article was provided by the Beef Cattle Research Council (BCRC). For more information about the BCRC, visit [www.beefresearch.ca](http://www.beefresearch.ca).*



# Upcoming Events

Event	Date & Time	Location
Compost & Extended Grazing Tour	Monday, October 3rd 9:30am - 2pm	James Yuha's Farm near Savanna
Organic Livestock Workshop & Pasture Walk with Bluesette Campbell	Friday, October 21st 1-8pm	Rycroft Ag Society Hall
EFP Workshop	Thursday, October 27th 1-3pm	Grimshaw Legion
Nutrition Workshop	Monday, November 7th	Beaverlodge Ag Society
Nutrition Workshop	Tuesday, November 8th	Grimshaw Legion
Nutrition Workshop	Wednesday, November 9th	High Praire Ag Society
Nutrition Workshop	Thursday, November 10th	Valleyview Ag Plex
Farm Transition Workshop	Friday, November 18th	Nova Chateau, Peace River

For More Information or to Register:  
[peacecountrybeef.ca](http://peacecountrybeef.ca) | 780-523-4033 | [info@pcbfa.ca](mailto:info@pcbfa.ca)



# ORGANIC LIVESTOCK WORKSHOP & PASTURE WALK

Build your  
knowledge of  
organic pasture  
and livestock  
management.

Workshop and Pasture Walk, followed  
by a Community Fundraiser Dinner

**Friday, October 21 • 1:00 - 8:00 PM**

Rycroft Ag Society & Forage Acres Beef



**FORAGE  
ACRE'S  
BEEF**

*organic*  
ALBERTA

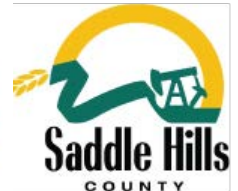
*Thank You to Our Municipal Partners!*



**NORTHERN SUNRISE  
COUNTY**



*Birch Hills*  
County



On August 11, 2022, the nine partner groups of the Peace Region Living Lab (PRL) together with a strong representation of the Agriculture and Agri-Food Canada (AAFC) science team, met with as many project producer partners as were able to sneak away from their field work for a few hours to learn more about the exciting 5-year collaboration ahead. The project “Enhancing agroecosystem services in the Peace Region” is part of the Agricultural Climate Solutions program and received \$5,957,199 in federal funding support. The event was hosted at the Peace Country Beef and Forage Association in Fairview, with research plots serving as a perfect backdrop to the event.

Embarking on a big and joint applied demonstration project is no small feat and requires a solid foundation of communication, engagement, and trust. The nine partner groups which included the Peace Region Forage Seed Association (PRFSA), our application lead, the Mackenzie Applied Research Station (MARA), the North Peace Applied Research Station (NPARA), Peace Country Beef and Forage Association (PCBFA), the BC Grain Producer’s Association, NEAT’s Northern Cohort, the Peace River Forage Association of BC, and our indigenous partner Fourth Sister Farm, took the morning of the Kick-Off event to share the project vision, goals, and tasks at hand. Also in attendance was a large portion of the team of AAFC scientists who will provide ongoing support and guidance on the project. The diverse project team reflects the diversity of farming in the Peace region.

At the core of the PRL are the individual producers who are joining the project to take a closer look at various best management practices, or BMPs for short. A core group of approximately 60 innovative producers



## PEACE REGION LIVING LAB

from across the region has been invited to host sites for the Living Lab, and these sites will be observed and monitored over the next 5 years for things such as:

- Carbon sequestration
- Greenhouse gas emissions
- Environmental co-benefits such as water infiltration rates, soil health parameters and species diversity both above and below-ground
- Socioeconomic factors relating to these practices



The event tent found a perfect spot in the PCBFA research plots.



# Officially Kicks Off!



Producers from across the Peace region joined the event in the afternoon for a meet and greet and to learn more about their role in the multi-year project. Following a mouth-watering locally catered supper, Brooke Hayes offered a keynote presentation on the importance and relationship of soil health to farmer health. Broke noted that: “A kick-off is never really the start of something new, but a milestone in a process that started long ago, a process that often requires the collective energy of dozens or hundreds of individuals that agree to do something new together. This project is no different, and the effort required to get to this point was tremendous. The project is unique however, in that it creates an opportunity to move food production from beyond a strictly economic proposition to one that values people, places and products.”

Throughout the PRLI project we hope to feature many of the best management practices already employed by farmers across the region and new ideas which may help the entire

farming community in being more sustainable, profitable, and resilient in the face of change.

For more information and updates on the project you can soon visit our website at [peacelivinglab.ca](http://peacelivinglab.ca). In the meantime, you can follow the project on social media @peacelivinglab.ca on Facebook and @peace\_livinglab on Twitter.

Funding for this project in part has been provided by Agriculture and Agri-Food Canada through the Agricultural Climate Solutions – Living Labs program.



Partner group representatives and AAFC scientists pouring over the project goals and objectives.



The PRLI team with many of the core producers, partner groups, and AAFC scientists.



# Member Information

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[@peacecountrybeef](https://www.instagram.com/peacecountrybeef)



[Peace Country Beef & Forage Association](https://www.youtube.com/PeaceCountryBeef&ForageAssociation)

## Attention East Peace Members!

We have partnered with Big Lakes County & the MD of Greenview to ship feed samples this fall!

### New East Peace Drop & Shipping Sites:

MD of Greenview Ag Services  
- Valleyview

Big Lakes County Office  
- High Prairie

Big Lakes County Office - Kinuso

## 2022-23 Board of Directors

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