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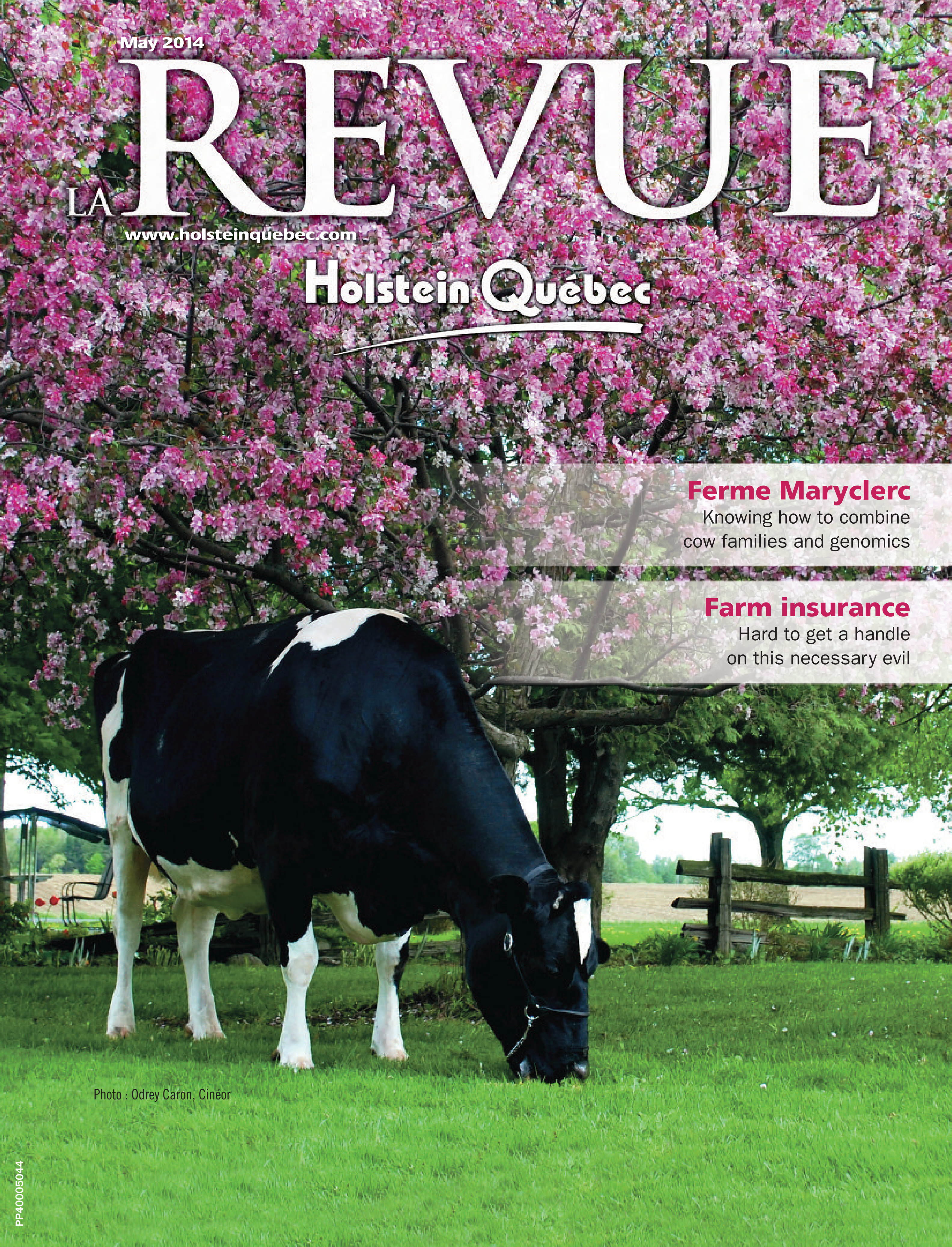

Ferme Maryclerc

Knowing how to combine cow families and genomics

Farm insurance

Hard to get a handle on this necessary evil

Photo : Odrey Caron, Cinéor

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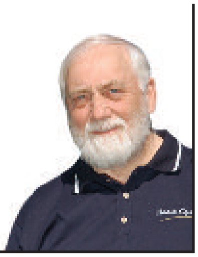

Ferme Maryclerc

Genomics in the service of good families

With an LPI of 2560, the Maryclerc herd ranks first in Quebec and second in Canada in the proofs released in April. As Armand Leclerc explains, their success stems from breeding decisions based on three components, specifically, genomic numbers, cow families, and the selection of dominant sire lines, all of which are analyzed with a focus on health and conformation. A fourth component, market demand, is considered equally important, since 50 per cent of the farm's income comes from the sale of genetics.

Their aim is to develop cows that are "easy to forget because they're good in every way, breed well and don't require any treatment." Armand adds that they want cows that look good and, ideally, classify VG at two years. To do that, they use young sires with high genomic numbers for about 95 per cent of their matings. And since genomics offer impressive new results every month, their sire selection is inevitably wide-ranging. The breeders look for high indexes but also strive keep up with the latest trends, as do the buyers of this type of embryo.

It is true of course that incorrect use of genomics can jeopardize a herd's future. But because genomic results are more reliable than parent averages, the owners of Ferme Maryclerc think it's a risk worth taking.

Embryo collection is thus a daily occupation on the Leclerc farm, with seven or eight cows as well as a dozen heifers designated as embryo donors every year, for a total of about 50 flushes per year. About half of the embryos harvested are implanted on the farm, with the other cows in the herd serving as embryo recipients. Another feature of genomics is that things move very quickly. Hence, embryos that are not sold within 45 to 60 days are likely to be out of vogue, and so are implanted in cows on the farm. Fortunately, says Marie-Christine Leclerc, modern technology allows them to connect quickly with potential buyers.

Outstanding females

Considering the tremendous popularity of genomics and the market demand for embryos sired by promising young bulls, the approach implemented by Ferme Maryclerc draws its strength from its selection of females. The females they choose have good genomic values, come from well-known cow families and are sired by high-ranking bulls. "When a female has an international reputation, a good part of the marketing is already done," explains Armand Leclerc. When necessary, these breeders will even settle for lower genomic values, if it means getting animals from this type of family.

Their selection efforts have produced a number of breeding cows that have done the Leclerc family proud. First among them is *Maryclerc B Champion Silvia*, EX-92 2E 10*, a cow that has been particularly influential in the herd since 2000. The dam of 3 EX and 10 VG daughters, this finalist in the 2011 My Favorite Cow contest produced 88 057 kg of milk in 4 lactations, with 4.6 per cent fat and 3.3 per cent protein, earning BCAs of 293-360-289.

The breeders also count on *Maryclerc Snowman Crystal*, VG-86-2yr. With a GLPI of 3356 (April 2014), *Crystal* currently ranks fourth in Canada and second in Quebec on the list of top GLPI cows. Her GTPI is 2296. Ferme Maryclerc co-owns Crystal with Ferme Bonaccueil and DPR Genetics. Born in June 2011, Crystal is already the dam of 5 heifers, and her first lactation is projected to yield 11 212 kg of milk, with 5.1 per cent fat and 3.5 per cent protein, for BCAs of 290-393-311.

Crystal is the daughter of *R-Z Baxter Caramel*, VG-89-2yr, another of the Maryclerc herd's co-owned animals, in this case in partnership with DPR Genetics and the Gillette, Bonaccueil and Cleroli farms. Caramel is a well-known cow and is also used for embryo transfers. With a GLPI of 3259 (April 2014), she currently ranks fourth in Quebec. Caramel's first 10 daughters classified VG as 2-year-olds, and

At Ferme Maryclerc, the emphasis is on genomics, without overlooking the importance of good families.

Photo : Ferme Maryclerc

she is the dam of 38 heifers as well. In 2 lactations, this descendant of *Ralma Juror Faith*, EX-91-USA, produced 30 611 kg of milk, with 4.7 per cent fat and 3.4 per cent protein, for BCAs of 312-386-330. The Maryclerc herd includes 3 of her daughters, namely *Gillette Iota Cinderella*, VG-1yr, *Gillette Iota Corvette*, VG-86-2yr, and *Gillette Iota Carmela*, VG-86-2yr. In their first lactation, *Cinderella*, at 1 year and 10 months, is expected to generate BCAs of 280-343-297, while *Corvette*, at 2 years, should attain 342-450-407, and *Carmela*, at 1 year and 11 months, 277-381-297.

The embryos produced at Ferme Maryclerc also originate from *Gen-I-Beq Snowman Akilia*, VG-86-2yr, a full sister to *Gen-I-Beq Aikman*. A descendant of the *Apple* family, *Akilia* has a GLPI of 3140 and currently leads the red factor carriers on Canada's list of top GLPI cows. Her GTPI is 2220. Co-owned with the Bonaccueil and Cleroli farms and DPR Genetics, *Akilia* is now in her first lactation, which is projected to yield 11 859 kg of milk, with an outstanding 5.1 per cent fat content (296-401-288). *Akilia* is the dam of *Bonaccueil Galaxy Alexya*, a red factor carrier born in June 2013, endowed with a GPA LPI of 3173 and a GTPI of 2357.

Finally, *Gillette S Planet 2nd Snooze*, VG-86-2yr, with a GLPI of 3010, also holds an important place at Ferme Maryclerc. This granddaughter of *Gillette Blitz 2nd Wind*, VG-88 39*, and winner of the International Cow of the Year award in 2012 already has one Superior Lactation to her credit, thanks to a 305-day first-lactation yield of 15 921 kg of milk, for BCAs of 427-429-434. She is the dam of 3 daughters classified VG and 6 heifers. She is co-owned by Ferme Gillette, the Leclerc daughters Marie-Christine and Laurence, and Antony Boutin.

A number of the heifers used for embryo production are also co-owned, including two full red-factor-carrier sisters: *Josey-LLC Uno Sangaria*, endowed with a GPA LPI of 2974 and a GTPI of 2386, and *Josey-LLC Uno Saphire*, with a GPA LPI of 2918 and a GTPI of 2232. Both are daughters of *Des-Y-Gen Planet Silk*, EX-4yr USA, and descendants of the *Glen Drummond Splendor* family. The list also includes heifers purchased in 2014, among them *Siemers Mogul Real-Hot*, with a GPA LPI of 3082 and a GTPI of 2383.

Partnerships, a model to favour

Breeding purebred Holsteins and the use of partnerships converged as early as 1990, when Armand became the family farm's majority shareholder. At the time, he had already adopted the practice of making some of his cows available to carry embryos belonging to other breeders. The agreements then stipulated that for every three heifers born on the farm, one became the property of Ferme Maryclerc. It was also around this time that Armand began to buy a few cows. And even back then, he made the occasional purchase in partnership with other breeders, in particular Robert Chabot, of Ferme Belfast. Today, it's clear that partnerships still hold an important place for the Maryclerc operation. As one of the founders of Groupe Génibeq, Armand Leclerc believes that this is the best way to buy and raise animals. For the same amount of money, it's possible to acquire part ownership in a number of animals, which also means that the risks are shared. Moreover, partnerships promote the sharing of information and expertise among co-owners. Likewise, adds Armand Leclerc, establishing new partnerships gives Genibeq access to new buying groups interested in their leading animals at sales.

But Mr. Leclerc also points out that for an operation to become interested in this type of market, a certain level of financial stability is required. The money invested in partnerships must be readily available and the investments mustn't restrict normal farm operations.

The owners of the Leclerc farm also believe that a significant portion of income from the sale of genetics should be reinvested in the purchase of new animals, to ensure that the herd is always on the leading edge in terms of genetics and in a position to offer embryos from sought-after cow families. It's also a

***Maryclerc B Champion Silvia*, EX-92 2E 10*, is the dam of 3 EX and 10 VG daughters. A 2011 finalist in the My Favorite Cow contest, *Silvia* produced 88 057 kg of milk in 4 lactations, with 4.6 per cent fat and 3.3 per cent protein, for BCAs of 293-360-289.**

With a GLPI of 3356 (April 2014), *Maryclerc Snowman Crystal*, VG-86-2yr, currently ranks 4th in Canada and 2nd in Quebec on the list of top GLPI cows. She has a GTPI of 2296.

way to make sure that the farm always has something new to showcase, which attracts visitors, as much from here as from other countries.

Finally, Armand and his daughter Marie-Christine underline the importance of after-sale service. They say it's crucial to ensure that the client is satisfied and, when the situation calls for it – for example, when a large number of males are born from an embryo purchase – to adjust the conditions of sale for a subsequent transaction. ■

Endowed with a GLPI of 3140 and a GTPI of 2220, *Gen-I-Beq Snowman Akilia*, VG-86-2yr, currently ranks first among the red factor carriers on Canada's list of top GLPI cows. Her first lactation is projected to yield 11 859 kg of milk, with a noteworthy 5.1 per cent fat content (296-401-288).

"Leclerc & Daughters" would be fitting

Ferme Maryclerc, in Sainte-Claire, is a member of the Dorchester Club and is owned and operated by Armand Leclerc and his partner, Brigitte Lavallée, who ensure the continuity of the Leclerc family farm. Their two daughters, Marie-Christine and Laurence, are also involved in the operation. Although it's a little too soon to seal the fate of the younger generation, Marie-Christine has been working full time on the farm for the past three years, since completing a DVS in dairy production at the Centre de formation agricole, in Saint-Anselme. Her sister Laurence, now in her second year of the Farm Management and Technology program at the ITA, La Pocatière campus, helps with the farm work on weekends and during her summer vacations. Brigitte is employed off the farm in administration and accounting but keeps the books for the Maryclerc farm as well. Antony Boutin, from Ferme Bertrand Boutin et fils (Bergitte), also works on the farm two days a week.

Photo : Ferme Maryclerc

Ferme Maryclerc owes its success to Armand Leclerc, Brigitte Lavallée, and their two daughters, Marie-Christine (left) and Laurence.

The herd has 145 head of cattle, including 45 cows. Due to the high demand for second-calf cows from local producers, a large number of the Maryclerc cows are young animals at their first calving. With 3 EX, 16 VG and 15 GP, the herd has an average production of 10 600 kg of milk, with 4.25 per cent fat and 3.3 per cent protein.

The Leclerc family only shows its animals at the Saint-Anselme show, where one of their cows won first Five-Year-Old and Honourable Mention in 2013. On the occasion when one of their animals proves worthy of a larger-scale event, the cow is entrusted to the care of a team of fitters. For Armand Leclerc, shows are mostly an opportunity to socialize with other breeders in the area.

The 200 acres cultivated by the Leclerc family are devoted solely to hay production. To complete the ration, the Leclercs buy a commercial mineralized feed in cubes that Armand Leclerc particularly likes, despite the higher cost, because it is simple to use. Moreover, he adds, the animals don't sort their feed according to their individual preferences. Since the yearling heifers also receive mineralized feed cubes, they have no problem adapting when it comes time to calve. Both types of feed are formulated based on forage quality, and the cows also receive a supplement.

Armand Leclerc observes the body condition of his animals to monitor the results of his feeding programme, which is aimed at keeping his animals healthy. Obviously, the goal is to produce as much milk as possible, but not to the detriment of health, which is key to reproductive performance, as much with regard to embryo production as to carrying transferred embryos to term. Both father and daughter agree that this is the best way to make a decent profit.

Soil preparation and seeding are contracted out, as is manuring. The farm also includes a 1000-tap sugarbush operation that brings together family and friends.

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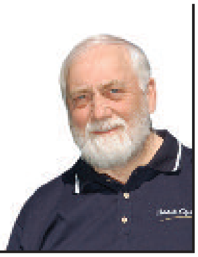

Insurance – a daunting but indispensable issue

With the exception of permanent life insurance – which will surely benefit someone someday – no one really wants to call his insurer to file a claim for a significant loss. So insurance often seems like an unnecessary and costly expense. And while it's easy to believe that accidents only happen to other people, misfortune may knock on your door one day. If you need to rebuild the barn, replace machinery, buy livestock, deal with a claim or touch income while convalescing after an accident, having good insurance can make all the difference. Insurance thus plays a dual role: it not only protects your assets, but also ensures the continuity of your farm operation and your career as a producer.

There are five or six insurance or mutual companies in Quebec, represented by brokers or their own agents, who are mandated to meet with farmers and present the various insurance products that are available. Unfortunately, farmers cannot demand that brokers or agents show proof of recognized expertise in farm insurance. Indeed, even if some companies do ensure their staff receives training, there are no diplomas or work permits specific to the agricultural sector. Hence it's up to each broker or agent to develop the expertise required to adequately meet the needs of the farm clientele. When meeting with a broker or an agent, it may be worthwhile to inquire about his or her knowledge of the agricultural sector, and of insurance in general, and even check with a farm credit lender or another producer or friend.

Make sure your assets are well insured

When it comes time to negotiate an insurance policy, agents or brokers, who always introduce themselves as advisors, may give the impression they want to sell you more than you need. It is obviously up to the producer to define his needs, and so it's quite natural to say: "That's enough." But it's important to make sure you have all the information before making that decision. Just ask Marc Blais, of Ferme Top, in Saint-André-Avellin. In 2003, he was under the impression his barn was adequately insured but, as he says: "We weren't well insured… or well informed." As a result, he had to borrow more than he had planned in order to rebuild. In hindsight, he would have liked his broker to insist that the insurance amount be indexed each year. Fortunately for him, the insurance on the livestock was closer to actual value and the settlement on that score was satisfactory.

In the case of a major loss, whether you need to rebuild a barn or another building or purchase machinery or livestock, the amount stipulated in the policy is the last word, which means it's important to get it right from the outset. Insurance policies usually cover replacement value, so it's not a question of knowing how much the barn or garage is actually worth, but rather how much it would cost to rebuild it today, in the event of a total loss. That's a difficult question, and as Guy Goyette, vice-president of business development for Groupe Estrie Richelieu, a mutual company specializing in farm insurance, explains, it is advisable to have your property evaluated by a chartered appraiser. A specialty contractor can also provide a detailed estimate of rebuilding costs. Over the years that follow, you can ensure that the amount of insurance remains adequate by increasing the amount of coverage based on the rate of inflation and, if necessary, additional upgrade or expansion costs. François Drolet, of Ferme Cabriolait, in Saint-Agapit, was fortunate to have this type of coverage when his barn burned down in July 2012. "We had reviewed the file for the whole operation three or four years previous and we had indexed the coverage every year." He says he was extremely happy about that decision after the fire.

Accidents happen so quickly. But with appropriate insurance coverage, it will be easier to bring the farm back to life.

After a fire, you may need to purchase equipment with up-to-date technology. This will be easier to do if your insurance coverage is adequate, but it's important to make your decisions based on your needs rather than the desire to be up-to-the-minute.

When evaluating your assets, in addition to considering the purchase of materials and equipment, it is also important to take into account the cost of labour. Indeed, it is quite normal for farmers to say: "If I have to rebuild, I'll do it myself and my neighbours will help me." As a result, they tend to overlook labour-related costs. But when an accident happens, will it really be possible, for health reasons or due the time of year, to take on that responsibility? To be realistic, explains Yvan Malouin, president and broker for Assurances Arthur Malouin ltée, it's better to plan for the worst.

It's also important to know which risks your insurance covers. There are two formulas available, "all risks" or "specified perils", so it's crucial to find out which risks are really covered by the policy being offered.

After a loss, if an appraisal was already been done by a credible expert and then the amount of insurance was adjusted, the insurance company will conduct its own investigation before paying, but the settlement shouldn't be very complicated. In cases where the farmer doesn't have this kind of information, however, the investigation will take longer and likely be more complex, and the owners may be in for a nasty surprise. An accurate evaluation of the replacement value of a barn must also take into account the equipment installed there. Should you need to rebuild, you will probably choose to install the most up-to-date equipment. But if your coverage isn't sufficient, the difference you'll have to pay to equip yourself with new technologies will no doubt require a larger loan. On the other hand, explains François Drolet, you don't need to throw yourself headlong into buying everything the agent suggests. It's important to keep a cool head and only buy what is necessary for your particular farm. The same approach applies to equipment and machinery, in which case it's generally recommended that you opt for replacement cost coverage for a period of five years after acquiring something new. If you don't have this type of coverage, the insurer will pay the depreciated value determined on the day of the loss.

Deductible

To reduce your premiums, explains Mr. Goyette, it is better to adjust the deductible than to decrease the insured value, based on what the operation is able to handle of course. For more or less the same premium, it's better to have $500 000 of coverage with a large deductible ($10 000, for example) than $400 000 of coverage with a small deductible ($5000). If an accident occurs, the amount the producer will be able to claim will most certainly be greater with the first option. On the other hand, the farm has to be in a position to pay the $10 000 that isn't covered. Likewise, the deductible for livestock and machinery should be established based on the value of the herd and the equipment, as well as the farm's financial capacity.

Business interruption

When negotiating farm insurance, it's common practice to buy coverage for the loss of income due to the accident, referred to as "business interruption". This type of coverage provides the farm with the income it would have received during the months following the loss, or until the operation is back up to cruising speed. According to broker Yvan Malouin, the amount of this coverage is too often estimated at 10 per cent of the general policy, with the more cautious going to 15 per cent. He explains that this approach may lead to disappointment, and advises farmers to consult their accountant to accurately assess the amount they would require and to choose their insurance accordingly. In the event of a disaster, he explains, no one knows ahead of time how long the transition period will last. Construction may take some time, and animals that have survived will need time to adapt, and the new herd may not perform at the same level as the previous one. Overall, he says, this period may last up to 18 months. For François Drolet, this phase was relatively short. He explains that since Quebec has a large number of high quality animals, it was easy for him to find a new herd that matched his expectations. Moreover, he and Marc Blais both agree that new facilities usually provide a better environment, which translates into increased production.

Mr. Drolet also advises farmers to make provision for the cost of putting the premises back in order after the disaster. The laws currently in effect require that certain procedures be carried out and, in his view, the cost of this work can easily reach $50 000 or $60 000.

Livestock

Farm insurance provides coverage for the loss of livestock, for example, in the case of a fire, an accident in the barn, or a visit by a predator. Other risks may also be covered and it's important to be informed of those included in the policy.

Likewise, it's important that the value of the livestock be clearly stated. Generally speaking, coverage applies to the herd as a whole, with an average value for each animal. However, when high value animals are involved (the amount varies from farm to farm, but generally refers to animals valued at $10 000 or more), it is recommended that each of these animals be clearly identified and that a specific price be determined. The amount should be revised annually according to market fluctuations or variations in performance, such as a major change in the animal's index.

This type of policy does not however cover the natural death of a cow. While that type of specific coverage does exist, it is intended for animals of extremely high value and is very expensive. Few insurers offer this type of coverage and, to our knowledge, only one broker in Canada does so.

Post-loss appraisal

It's when an accident occurs that you understand all the features of an insurance policy. After an accident, the insurer will appraise the extent of the damage. To do that, an insurance adjuster or a specialized firm will generally be in charge of the investigation. If neither of them has expertise in agriculture, however, a third party will sometimes be asked to assess the value of the damage, particularly in the case of livestock, in collaboration with the breeder. If the breeder knows his herd well, he will be better able to work with the evaluator in determining its actual value.

Negotiating good life insurance is a very useful tool in planning a successful farm transfer.

The insurer will then use that information to determine the amount to be paid to the farmer. Based on his personal experience, François Drolet underlines the importance of being honest. It may be tempting to exaggerate a little, he says, in the hopes of getting more compensation. Instead, he emphasizes, it's better to play fair and win the insurance adjuster's trust, which will simplify the discussion and speed up the whole process. When his barn burned down, that was the attitude he adopted and it resulted in a quick and satisfactory settlement.

When there is total loss and the amount of coverage is based on the actual value of the property, the insurer will have no reservations about paying for the loss, minus the deductible. In the case of a partial loss, however, the discussion may be more difficult. There is a nuance here that merits attention. In insurance matters, the coverage you buy must correspond to at least 80 per cent of the actual value, for example, a minimum of $400 000 coverage for property valued at $500 000. If the coverage negotiated doesn't represent 80 per cent, it is the actual percentage that will apply in the case of a partial loss. If the $500 000 of property is only insured for $300 000, the coverage represents only 60 per cent of the actual value. In the event of a partial loss, $100 000 for example, the insurer will thus only pay 60 per cent of the damages incurred, that is, $60 000 minus the deductible. On the other hand, if the policy covers at least 80 per cent of the actual value ($400 000 in the same example), then the partial loss will be reimbursed in full, for a total of $100 000 minus the amount of the deductible. This calculation method for graduated payment following a partial loss also applies to machinery and other insured property.

Finally, a source who wishes to remain anonymous informs us that producers should think twice before filing a claim for livestock or low value property. As is the case with car insurance, it seems that the number of claims you make may affect the cost of your premiums.

Third-party liability

This section of the policy covers the different claims resulting from an accident or negligent conduct on the part of the farmer against another person or organization. Matters relating to pollution or milk contamination also fall under this heading. The amount of coverage may vary from one producer to the next, depending on the farm's activities, for example, doing contract work, snow removal, or regularly receiving visitors. It's the first million that costs the most, explains Mr. Malouin, but that amount will likely be insufficient in a number or situations. He recommends instead that producers buy $2 or 5 million of protection, depending on the particularities of each farm.

Generally, all agricultural production, including maple syrup, is covered by this third-party liability clause, but processing is not covered. In such a case, it is important to inform the insurer. Adding this coverage could affect the premium you pay.

Life insurance and other personal insurance

Insuring your farm is all well and good, but insuring yourself is just as useful, if not essential. Everyone has life insurance, an amount that will be paid to one's heirs and that will be used to cover at least one's funeral costs. But life insurance can also have other uses, such as helping your successors take over the operation, ensuring a fair sharing of the estate among your children, or even ensuring the sustainability of the operation for partners. It's thus a matter of estate planning and taxation, and it's a subject that merits a great deal of attention. At least that's the advice of Mr. Olivier Quenneville, financial security advisor for Groupe CCJ, a financial services firm in Saint-Jean-sur-Richelieu that specializes in the agricultural sector. Mr. Quenneville strongly recommends that farmers who have not revised their insurance coverage recently sit down with a specialized broker to evaluate their situation and make any changes deemed necessary.

Life insurance can be permanent, meaning that the policy will always be in effect and that the payment will be made to your heirs upon your death. It is also possible to negotiate last-to-die life insurance, in which case the payment is made when all of the people mentioned in the policy have died, generally the father and mother of a same family. This type of policy is often recommended to ensure fairness when one or some of the children are not involved in taking over the farm operation. This type of insurance may also be considered when an unrelated individual is interested in buying the farm. It's important to plan for life insurance, says Mr. Quenneville, even when you are young and you don't know if the children will be interested in taking over the farm. There will be plenty of time, he says, to adjust your coverage as conditions change.

Producers can also purchase temporary or fixed term life insurance, which terminates after a pre-determined period (1, 5 or 10 years). Such policies are generally purchased to cover a loan, and coverage ends with the last payment. Some temporary policies can be converted to permanent or last-to-die life insurance, which is an advantage for the policyholder because it means guaranteed insurability. Since this option is not always offered, breeders would be well advised to find out more before signing a contract. Here Mr. Quenneville suggests that breeders consult their broker before contracting any insurance intended to cover a loan.

Brokers are also able to offer insurance in case of serious illness or disability, a form of salary insurance. This coverage is intended to replace lost wages following an accident that prevents the policyholder from assuming his usual duties. This type of coverage may no longer be necessary when a person reaches a certain age and has access to retirement income. For it to be useful, explains Mr. Quenneville, the benefit paid must really correspond to the income earned. That's where it's important to take precautions. Farmers must make sure they fully understand the terms of their policy and how the amount of the benefit will be determined, particularly if the farm is incorporated and part of the income is paid in dividends or in the form of a bonus. For all of these types of insurance, Mr. Quenneville recommends that farmers consult their accountant for advice. ■