

Midwest Minute – Heritage Can Anchor You

I was visiting with my oldest son this last weekend when he referred to an incident mentioned in a book written by his grandfather, my father, about the history of the township his family homesteaded on in 1905.

Dad was my age when he sat down to record the interactions of a group of people who farmed in the area for a period of over eight decades.

He did so as he felt most of the history had not been adequately captured in any of the region's books chronicling the various school districts.

Frankly, I had forgotten I had been his photographer, and my wife, the editor, for the two years plus it took him to assemble the background material, then write it up.

So, for the first time in 35 years, I sat down to re-read it today.

Dad detailed the indigenous peoples' mobility within and on the North Saskatchewan and Battle Rivers, home at various times to the Cree, Gros Ventres, and several tribes of the Blackfoot Confederacy.

He outlines the coming of the European explorers in the mid-1700s, followed by eastern Canadian fur-traders looking to establish supply networks with the First Nations, and real reason why three forts were built on Pine Island, and not on either bank.

The area was first surveyed in 1882 with three separate expeditions, the first developing the north boundary of each township, followed by a second one going east-west then another north-south.

Two years later, a fourth team followed up by establishing the corners of each quarter section.

These survey teams were the consummate professionals, as it wasn't that many years ago with the assistance of modern satellite technology it was determined the measurement error of their work was so minimal as to not be concerning.

Amazing, given they used only the tools the men could carry, and all supplies were transported by horse and wagon.

But back to the book.

Or in my case, the memories it brought back of spending time with my father as we went from location to location within the target 36 or so square miles and the stories behind each one.

How horses and mules used to build the roadbed for Canadian National Railroad track were the original livestock kept on what eventually became his family's ranch.

Why a young hired man took the blame for his employer's grievous assault on a neighbour, even serving time in prison.

It is a story only half of which is revealed in print. The other half I learned one day over a noon campfire while hunting whitetail with him. It will stay buried.

What was most amazing to me was the realization that the trust and friendships forged three or four generations ago still tie us together as neighbours today.

It may be light sandy soil in this part of northwest Saskatchewan, really only good for pasture, but the roots of the people who live here have gone deep.

Vern McClelland is an associate broker with RE/MAX of Lloydminster and an active partner in his family's livestock operation. Comments on this article are welcome either by emailing vernmcclelland@remax.net or calling (306) 821-0611.

Midwest Minute – Verify Not Rely

Most buyers when negotiating a real estate purchase concentrate a great deal of their energy on achieving an acceptable sale price.

Of course, this is important but enjoyment of the property after possession depends more on the diligence done after acceptance of an offer and before removal of conditions.

The purpose of due diligence is to verify, verify, verify everything about the subject property including existing condition and restrictions, if any.

The type of property being purchased will determine the scope of the diligence required.

For example, the normal investigations on a residential property typically include a professional home inspection, a current real property report accompanied by a letter of municipal compliance, and a property condition disclosure statement from the owner.

For acreages, additional inquiries are recommended including water quality and well flow, septic system integrity, school attendance area, and zoning required if a shop is present or planned.

If a real property report is not available, buyers should purchase title insurance to protect themselves against a list of nasty surprises unknown at purchase.

In one case, a previous occupant had built a garage over a gas line; when the utility supplier found out they required the current owner to relocate it at their expense.

Commercial or industrial properties should come with a clean environmental assessment, confirmation of the square footage being purchased or leased, plus approval from the municipality for the use intended by the buyer.

Never assume. Relaxing your guard runs the risk of costing you later. Be prudent but also reasonable.

Veteran Realtors simply have too many stories about things that went wrong in past transactions from a building too close to the property line, a collapsed septic field, a well with no water in it, soil contamination, the list goes on.

Purchasers of multi-family apartment buildings will want a list of the current rents, how long the tenants have been in place, and what deposits are being held. An assessment of local economy does not hurt either if you are from out of area.

Farmers buying land want to know the crop and inputs history.

In one case, the outgoing tenant planted canola three years in a row to maximize his return but creating a risk of disease in the soil.

The prospective buyers told me they were placing reduced bids knowing they would not be able to plant the higher value crop there for some time.

Ranchers want to look at the grass cover and availability of water in any pasture as it will determine a stocking rate at least in the near term.

Sand doesn't feed cows.

People buying a retail enterprise would like to be assured the primary suppliers will stay with them, not to mention key staff members.

More than one new businessperson has been surprised by employees leaving with the retirement of the previous owner. Or worse yet, setting up a competitive company taking major customers with them.

Of course, there are no guarantees so at the end of the day take practical measures, do your homework, then move ahead.

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Midwest Minute – Garbage Wars

My wife and I were out for an evening drive this past weekend seeing if we could spot a herd of elk which had been hanging out in the pastures east of our home when we came across a half ton truck load of household garbage thrown in the ditch.

Then, just a few miles down the road someone had disposed of a ratty queen-sized bed mattress on some brush piled near an intersection.

Now I don't know about you, but little makes me more annoyed than someone littering the landscape.

This cavalier practice seems to be on the upswing, along with rural crime, and the destruction of sensitive habitat by trespassing ATV users.

Why is respect for property and environment going downhill?

No, not by big bad industry, but by the common Joe.

Years ago, a hockey team of 12- to 14-year-old boys I was managing wanted to buy coats to celebrate a season of camaraderie and achievement.

It was during an economic downturn such as we are now facing, and I knew few, if any, of parents could afford this luxury item.

In fact, it had taken several anonymous donors just to have some of kids on the team be able to lace up the skates that season.

However, these soon-to-be-men showed the same determination that had made them noticed by our local hockey community when they came to me with a plan to raise the necessary funds.

After the season was over they would commit to picking twenty plus miles of ditches, on both sides, to earn the compensation the provincial highway department was offering at the time.

All that was needed was an adult, me, to sign the application.

They even had decided there would be a wiener roast the evening of the venture which would also be their wind-up party.

So, we spent one whole Saturday early in May picking up what others threw out of their vehicles during the winter.

Cans and bottles were saved for the return deposit, and several truckloads of trash went to the local dump.

I guarantee you not one of those players has ever consciously littered again in their life.

Too bad more of our citizens have not experienced the feeling of satisfaction and reward that comes when doing the right thing.

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Midwest Minute – Working with Mother Nature and Technology

In farming, just when you think you have it figured out, someone comes along with another innovation.

Our family has a livestock operation which requires us to carefully monitor not only the health of the animals under our care but also to ensure they receive a balanced diet year around.

Now, one of the nice things about cattle is their robust digestive system with an inherent ability to convert grass into milk and steak.

In our part of North America, pasture is simply not available at certain times of the year, so the harvesting, storage, and distribution of alternate feedstuffs is necessary.

Back in the day, ranchers would cut hay and pile it in the field to be hauled home by horse drawn sleigh in the winter. Forking hay over their head onto a hay rack each day kept them in shape; no additional exercise was necessary.

As cereal crop production took on greater prominence, an oat crop would be seeded, some of which would be cut and bundled by a binder as “green feed” and the rest left to mature into grain and straw.

I hate to admit it but I am actually old enough to have been sent out to stook bundles one fall when the ground was so wet it appeared to be only way we would get our feed in was to leave the square baler in the shed.

When I graduated high school the mower conditioner and round baler were just coming into their own, but it was too late for me though as we stacked over 10,000 square bales in +30C weather that summer.

Swath grazing became popular with a cereal crop swathed late in the fall to allow cows to find their meal under light snow cover. My uncle was one of the first in the district to adopt the practice, but he simply said it allowed him to go deer hunting when the season opened!

Today, many cow-calf producers seed corn for winter grazing and supplement it with free choice minerals.

For backgrounding and custom feeding operations like ours, silage is king, whether it be corn or cereal grain in origin.

Tonight, I learned at least one progressive feedlot operator is piloting a hemp / pea mixture to maximize the amount of protein and dietary fibre available.

Last week I spoke with a client who has utilized hybrid fall rye in their regenerative agricultural program. Seed in mid-summer, graze once in the fall, then silage or harvest late the next spring in time to plant a second short season cereal.

We stumbled on to cover crops for late summer / fall grazing when converting tired hay land back to cultivated acres by using a “cocktail” mix of plants including turnips, radishes, and assorted annuals.

Our cow/calf pairs came off their summer pasture and proceeded to munch on the two-foot-high offering until all that was left was ground which looked like it had been rototilled for a garden.

So much to learn, so little time!

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Midwest Minute – Fall Memories

We ventured out on our quads late Sunday afternoon to harvest some untouched cobs left over from the half section of corn that had been silaged earlier in the week.

No, we aren't that frugal; the blue jays who visit our bird feeder like to argue over the kernels then stash them away.

I suddenly had a flashback to when I was a kid and my mother's practice of saving a few cobs of corn to provide seed for the next year's garden.

She would place them out of sight on top of a kitchen cupboard until they were dry enough to roll off the husk with a twist of your wrist.

Of course, that was after she had canned or frozen the sweet corn, peas, and beans out of her extensive garden.

Takes a lot of food to keep three boys fueled up!

That got me thinking about all the other food production activities our farm family, and I am sure many others, would undertake over the course of a year when I was growing up.

Extra cow's milk would be fed to the pigs along with potato peelings and other kitchen waste.

A young, dry cow who didn't come into calf would be fattened for beef.

Meat breed roosters would be raised for frying and roasting, while hens produced eggs, and when they didn't well, they became jellied chicken.

In the fall, our menu was supplemented by grouse, duck, or the occasional goose, then as fall turned to winter, cuts of venison or sometimes moose or antelope, was on the table.

Neighbours would work together to process animals, each seemingly having a unique skill or part to play as the saying goes "many hands make light work!"

During the summer months, Mom and several of her friends would be found picking saskatoons, pin cherries, and chokecherries along some roadside or fenceline.

She and Dad would time a fishing trip to a northern lake to coincide with ripening blueberries.

These along with the raspberries, strawberries, and apples from their own gardens would be preserved in Mason jars and stored in the cellar with room left for the root vegetables.

Life on the farm had a cycle which was repeated every year and yes, food, either for our family or marketed to others as grain or livestock, was central.

We didn't have much, but my parents must have been very proud of their ability to provide.

Today, people see food as something you order online and have delivered to your car outside a megastore, or alternatively to your home with instructions on how to prepare a meal.

In fact, so many people don't know the fundamentals of cooking, city condominiums are being designed with very small kitchens.

Maybe a bit more dirt under the fingernails or sharing knowledge and gathering tasks with a few friends would relieve a lot of anxiety in our society?

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Midwest Minute – Balancing Perspectives Using Progressive Tender

With most property it is a given the seller wants to maximize their sale price while the buyer seeks to get it as cheap as possible.

However, this doesn't always hold true with land.

Quite often, the seller wants to ensure the heritage of the subject property will be respected by the incoming owner.

One elderly couple asked me to find a suitable buyer for a quarter section of unbroken sod.

I made inquiries of several conservation organizations – Ducks Unlimited, Nature Conservancy of Canada, Saskatchewan Wildlife Federation, but none expressed interest, or they also wanted me to also find a donor who would contribute sufficient funds to their charity so they could purchase the land.

I even spoke to the local rural municipal government, but they too didn't want the responsibility of ensuring the property would be left in its pristine state.

Urban governments are desperate for park space, but I guess this is not seen as a priority in this part of the country.

Light grazing by livestock to keep the fire hazard down was seen as a beneficial practice, but for sure the current owners did not want it turned into cultivated land.

I did eventually find someone who would purchase it on acceptable terms but the whole exercise was more difficult than I originally expected.

In the case of grain or pastureland, sellers often have deep feelings, possibly even some guilt, about letting control of the parcel out of the family after what may have been two or more generations of ownership.

But how is a younger buyer to get a chance, especially when faced with competition for acres from wealthier neighbours?

This mix of emotions is one of the reasons why sealed bid tender has been a popular method of establishing current market value while providing the opportunity for the seller to decide who wins and who loses.

One of the terms of the offering is "highest or any bid not necessarily accepted."

I have been facilitating tenders for over a dozen years and there have been more than a few times I have heard sellers say they would prefer to see their land go to a young family.

He or she may have grown up with their children. Or always cheerfully helped in the busy seasons. Or they just like their character and the way they are going about business.

Younger buyers however, are not always successful, especially in estate or liquidation sales where the land is too often awarded to highest bidder.

They agonize over the amount of their bid after being pulled in several directions by the lender, accountant, life partner, and yes, even good old mom and dad.

It can make them so discouraged they don't even try after a while, and fewer family farms doesn't make for a vibrant rural community.

This is why our team supported by advice from several local lawyers, designed a new Progressive Tender system, merging the advantages of the standard seal bid approach with an auction style format allowing all qualified bidders to participate until such time everybody's final offer is established.

Then, and only then, do we take all the bids to the sellers, then wait to see who they will award the contract to and why. Will it be price or character?

We now have enough of these transactions under our belt I can tell you it is not a simple matter for the seller to make their decision, but at least everyone who would like to purchase the property has had the time to consult with their stakeholders and a fair opportunity to state their case.

You can't ask for anything more than that.

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Midwest Minute – Great Neighbours Are One Big Reason to be Thankful This Weekend

One of the best reasons to live in the country is the sincere willingness of neighbours to help each other when needed.

We have been especially fortunate in our district as the links between some of the area families go back three plus generations.

Not that everything is wrapped in cotton candy; far from it, as independence and self-reliance is still expected of you, but when the “chips are down” we can always count on the people living under the next yard light.

It may be someone putting in some errant bovines back into their pasture after they crawled under a fence bordering a dried-out waterhole, patching the hole with a couple of old posts, then dropping you a text.

I mean the grass is always greener on the other side, isn't it? Well, in second thought in a drought year that may well be true.

You may have had some unexpected equipment breakdowns with repairs somewhere on a slow train from Iowa, when into the field comes a combine or tractor with baler in tow to finish the job before inclement weather hits.

It might be a grass fire that requires all hands-on deck to get control before it spreads across the countryside.

Or it may be a hot supper delivered to a slightly overwhelmed young couple who just brought home their first baby from the hospital.

It's the people who come to offer unconditional support when a loved one passes unexpectedly.

Probably the hardest, yet most important, visit one can make in life.

It's the parent next door who spots your child having difficulty with their horse or ATV and stops to help.

Or a few years later, takes their tractor to pull that same teen's truck out of a mudhole he or she probably should have avoided but laughs it off knowing they were once in a similar bind back in the day.

Neighbourhood watch was invented in the country, just never labelled as such.

The local oil pumper calls to alert you of a cow having trouble birthing a calf in the back forty.

A grader operator who has been watching your silage crop mature then ensures the road between the field and feedyard is smooth for the truckers without you asking.

I could go on, but I am sure you get the point.

The saying is that it takes a whole village to raise a child.

In the country, it takes everyone rolling up their sleeves to make life better for all.

Thank you, neighbour!

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Midwest Minute – The Home Office

Odd, it was while I was refilling bird feeders in the back yard today when I started thinking about the evolution of home offices.

Personally, I have had a dedicated home office since first becoming self-employed 25 years ago as a management consultant.

At that time, I was the only one in the house during the day with a window looking out on the adjacent creek.

Deciding there needed to be something interesting to see once in a while, and maybe to combat the feeling of isolation, I started feeding birds.

Today, at the house we built the next yard over to grow old in, the bird feeders still exist for enjoyment, but the view from my office window is now of our horses, plus the occasional moose or fox, in a pasture beyond the front lawn.

When I started, the internet was still in its infancy and was primarily used by people just for research. It was like having the world's largest library at your fingertips!

Having your primary office in the country presented all sorts of challenges with only dial-up telephone access, and further complicated by having just one landline coming in.

I paid significant dollars to install a second phone line dedicated for a facsimile machine. Fax, what's a fax?

Cell service was spotty, and satellite service for general citizen use was unheard of.

One of the major unintended impacts of the pandemic has been a significant increase in the number of people working from home prompting some to look for housing enhanced for such purpose.

These days email and text are the go-to methods of sending messages, but these too are steadily being replaced by online workgroups and video meeting technology such as Zoom, GoToMeeting, and Microsoft Teams.

Legal documents are being signed electronically. No longer does someone have to print off reams of paper, sign, then scan or fax it back.

All this work can be done from a smartphone, tablet, or desktop computer wherever you have access to the world wide web.

Practice documents are stored online in a remote server, again accessible 24/7 making the four drawer cabinets in the corner a place to store everything but files.

My assistant set up a large land valuation file for me last week comprising of 251 pages of background information, and never used a single piece of paper. All digital. I still printed it off. Someone must support our pulp and paper industry.

In fact, she only comes into the brokerage once a week for about two hours, and truth be known she probably does this just to humor her old school employer, as I still like to see her face to face occasionally so we can discuss ongoing initiatives!

Me? Well, I enjoy both our public office in the city and my private space at home. In my mind, there is still value in being able to talk to colleagues and clients at arms-length.

But there are times when I feel more productive by walking 15 steps from the kitchen, coffee cup in hand, and getting down to the day's business without first driving 30 miles.

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Midwest Minute – Agricultural Land Valuation is Getting Increasingly Difficult

It has been a very busy winter for my farmland consulting practice with about 2,000 acres being reviewed every week, some of it being prepared for sale, but most for long-term planning by the current owners.

I believe this is just the tip of the iceberg as Farm Credit Canada is estimating 75% of farmland titles will transfer in the next ten years.

Now, let that sink in for a minute.

Billions of dollars of land will change ownership in the decade ahead.

Why? Well for one thing some of the current owners will die, bequeathing their property to their farming and non-farming adult children.

Others will create a corporation as part of estate plan, transferring titles to it, in attempt to defer or avoid taxation on the gain in capital value since they assumed ownership.

Of course, this means instead of the titles transferring upon their death, the shares in the company will be disbursed.

Let the games begin! I foresee many battles over Mom and Dad's estate, especially if they didn't take the time to work through an estate plan their beneficiaries will understand and support.

So, what's so hard about putting a value on land? I get calls every week from some one asking me to just give them the magic number without looking at in any detail.

Well, first of all, every parcel has different attributes, never mind location.

Secondly, land is a commodity, and the worth of commodities in the open market is determined by supply and demand.

Third, what it is currently used for may not be the "highest and best use".

Right now, farms are growing in one of two specific directions, either grain or livestock.

For both enterprises to expand requires land, either by purchase or lease.

In fact, I see significant amount of lighter land, more suitable for grazing, being brought back into annual crop production, not the best strategy in the long term.

The number of individual farms is steadily reducing, and no wonder, it is a very expensive undertaking, full of risk.

The baby boomers are looking to retire, and it is very difficult for a young family to get established without "the bank of mom and dad" or in some case, "grandpa and grandma".

In fact, today there are more than a few farms with silent partners drawn from extended family, friends, or investors.

Complicating valuations are secondary residences, buildings or other improvements like game fencing built for a specific purpose but no longer used, plus some environmental issues like coulees full of garbage, asbestos in older structures, etc.

Relationship breakdown doesn't just happen in urban families either, requiring a division of assets or a deep dive into debt to keep the land base.

People who haven't ever lived on a farm may not understand the emotional element intertwined into almost all land transactions.

This is practicing real estate with a sharp edge and I have to admit, an honor to be asked to work on due to its importance to the stakeholders.

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Midwest Minute – The Little Log Cabin by the Lake

It was a small, one room log cabin tucked into the trees by a jewel of a lake in the Bronson Forest. Its roof was falling in, but the walls still stood proud.

I had been asked by the owner to provide a valuation of the six quarters of pastureland she had inherited from her parents.

She lived in Calgary, and with no one in the family in the cattle business anymore, it was being considered for sale.

I had a Thermos of coffee with me, and because it was a beautiful fall day, I decided to sit on an old spruce stump adjacent to the cabin soaking up the world around me for a few minutes.

The warning chatter of a squirrel broke the silence; obviously he saw me as an intruder to his kingdom.

There were deer tracks along the shoreline, and I had spotted a moose on the trail in. No doubt there would be a black bear or two in the vicinity.

I thought about the people who had settled here, carving a home out of wilderness.

The owner had told me her grandparents had come up from the south part of the province during the Depression years, having been dried out on their ranch in short grass country.

Three children had been born in this humble place, two survived, but unfortunately one succumbed to pneumonia during a particularly long and harsh winter.

The oldest child, a girl, became a schoolteacher at a country school two hours away, and married a grain farmer.

The surviving son took over the ranch his parents had started, moved the headquarters a dozen miles south and closer to town, but had died unexpectedly in automobile accident.

The cows were sold, and the pasture had been rented to various neighbours over the years.

When her parents had the place, the family would go for a Sunday horse ride checking cows with calves at side, then stop at the cabin for an afternoon wiener roast.

Those memories of happier times laid heavily on her and she turned to me for advice.

I said there was a young couple just down the road who were doing their best to build up their own ranch and it was tough going given the larger operations with deep pockets were gathering up most of the land in the region.

Did she want me to introduce them to her? She did. A deal was made that was fair to both parties.

The buyers told me several years later they had replaced the roof on the cabin, put in a wood stove and two beds, set up a pole horse corral, and had built a covered fire pit to cook on.

They and their two young daughters spend many a summer night roasting wieners and marshmallows by the lake, listening to the sounds of the forest.

I think the old folk would be smiling down from above, don't you?

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Midwest Minute – Just an Old Back Yard Swing

We have an old swing set in our back yard; one of those manufactured out of thin wall pipe popular with young families about five decades ago.

The attached tin slide was abandoned somewhere along the way. I think it simply corroded to the point that nobody wanted to risk their butt on it!

It has been the go-to activity center for at least eight children in our family, first my two nieces, and when they outgrew it, was moved to the farm for our sons' enjoyment.

When the boys lost interest, it served a new purpose in life as the support rail for several different types of hanging bird feeders.

However, as the grandchildren started to arrive, we repainted it, reinforced the base, then added a new seat and trapeze bar.

It won't be long now until it will be retired. Our youngest granddaughter is going into Grade 2 and swings are being replaced by skateboards, scooters, and bicycles.

We have it sitting under a shade tree just steps from the back deck where the family and friends inevitably gather for coffee or something colder.

The little ones felt safe, yet independent, playing there. We would often hear them singing to themselves or occasionally asking if we adults were watching their athletic achievements.

Oh, how life slides by so quickly. Babies become toddlers, toddlers turn into children, children become parents, parents morph into grandparents. If you are lucky.

We were blessed to have the opportunity to learn from the generation which went before us, and I can only hope my wife and I will be remembered with similar fondness.

Tonight, an old friend was musing about our purpose as the current elders of our respective families.

We swapped some lessons our parents and grandparents taught us, not just by words, but by the way in which they had lived their lives.

They came from a different era; one where public support systems were limited, even non-existent, yet with perseverance built the communities and services we take for granted today.

Personally, I think it came from a connection with the land, for Mother Nature can be both beautiful and terrifying. Respect it or perish. It will provide but you have to adapt to its changing moods.

Back in the day, if you didn't farm yourself, someone close to you did.

No one questioned where food came from. Even townies had a garden and maybe a few laying hens in the back yard. Families prepared meals, not just reheated them. And sat down to eat together.

Now groceries are ordered online, picked up in the parking lot or delivered to the door.

Many young adults don't know how to make a basic meal. Apartments are being designed with smaller kitchens and located within walking distance of restaurants.

It's a shame really. There is a lot of love still available in a kitchen but only if you seek it out.

Just like the old swing set.

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Midwest Minute – The Changing Landscape of Family Farm Ownership

It is hard to believe that was a time when it was difficult for retiring farmers to sell their land, at least in this region.

Young adults were attracted to higher paying jobs in the oil patch or were encouraged to seek higher education in anything but agriculture by their farming parents.

Let's face it, work in those days on the family farm was hard. Most operations were a combination of crop and livestock, usually with one or the other facing significant challenges every year.

If the frost made wheat into feed, then you wanted hogs and cattle to feed it to. Calf sales in the fall sometimes were all that was available to make the machinery payments.

It seemed if one part of the operation was profitable, the other wasn't.

Most couples spent a lifetime building up equity in the land, hoping they could sell it to a neighbour at the end so there would be enough to buy a little house in town and support a modest lifestyle until they died.

Spiking interest rates or low commodity prices brought down many a farm.

Only the strong survived. It took good management and little luck. Those big black tanks that showed up four to a quarter didn't hurt either, especially if Grandpa had held on to the mineral rights!

Farms have been steadily consolidating since the first homesteader arrived. The big are getting bigger, while it is next to impossible for a young farmer these days to start without significant backing.

It may surprise you to find out there are a growing number of farm operations today supported by non-farming "silent" investors.

Like any other business, borrowing funds from a bank, credit union, or Farm Credit Canada is not the only source of money. In fact, "patient capital" can be key to developing a strong foundation on the new family farm.

When I say patient, I mean investors who are in it for the long haul. And no, I don't infer the source as Asian or European.

It can be any local businessperson, a relative who lives at a distance, or simply someone who wants to support an agricultural enterprise or farm family.

Those who have built businesses in the energy sector were very skilled at assembling shareholders to create a service-based economy. The lessons learned in that industry have spilled over into agriculture.

Personally, I think it is a wonderful thing. Sure, if Mom / Dad / Grandpa / Grandma wants to leave their wealth in the farm for the next generation to leverage that's great.

But the more people who bring not only their capital but management savvy into today's agriculture enterprises can only lead to increased diversification and a search for improved efficiency.

For too long we have sent commodities grown here out of the region, or out of country, without taking advantage of value-added opportunities.

More local processing means more jobs and stronger communities. Jobs in agriculture and agribusiness stabilize schools, health care, and many other services.

It's not just about owning land anymore. It is being part of an enterprise which feeds the world.

Vern McClelland is an associate broker with RE/MAX of Lloydminster and an active partner in his family's livestock operation. Comments on this article are welcome either by emailing vernmccllland@remax.net or calling (306) 821-0611.

Midwest Minute – Parting with the Home Quarter

It is a topic of discussion in almost every initial planning meeting I have with couples who are getting ready to sell the home quarter; should we subdivide off the yardsite or not?

The answer is “depends”. There are buyers for acreages, and another set of prospects for farmland, but fewer buyers for the yardsite and quarter together.

The neighbour who wants the land for cropping or pasture almost certainly doesn’t need another house.

The young family moving out to the country for the lifestyle benefits of an acreage probably can’t afford anything beyond the house and 10 acres.

Sometimes, the current owners don’t want to spend the time and money to divide the existing title, after all it can take upwards of six months, plus the location or design of the septic system may need upgrading.

There may be significant emotional barriers to making a logical decision as well. Often, the current owners have deep ties to the property developed over decades of occupation.

It takes 20+ years to grow a shelterbelt. One member of the couple probably grew up in the same yard. Their children consider it home, even though they moved to the city.

Personally, I find it to be one of the two most challenging properties to represent, right up there with family cabin at the lake. There are simply too many memories for the outgoing owners to overcome.

Acreages are not easy to move either these days, with high fuel costs plus spiking interest rates throwing a definite damper on things.

Most buyers need to sell their house in town first. This can take time and here again, interest rates are putting pressure on the residential market.

We used to say there was three distinct groups of acreage buyers; the biggest was the self-employed contractor, followed by families who simply wanted to raise their children in the country, with the third set being horse-owners.

Well, the economic trials brought on by a struggling energy sector put many a small business owner with a semi-tractor or welding truck on shaky ground. They have all but disappeared out of the picture.

The cost of commuting from a rural location for work, school, or recreation, went up and has yet to come back down significantly.

Have you priced out an athletic horse lately? Gone are the days of the \$4,000 well-broke steed; they are well into five figures.

Besides, who can afford to pull a rig down the road to the next rodeo or jackpot with diesel fuel prices in the stratosphere?

Definitely, we have been successful using MLS or Progressive Tender in selling full quarters with house and yardsite.

And we have not; it's a crap shoot depending on motivated, qualified buyers wanting to live in that particular district and wanting the attributes of the house you have to sell.

The auction companies are an option, but the terms are usually unreserved, meaning the owner takes whatever the market is willing to pay at the time, so that approach can be a significant gamble.

About the least risk approach for the seller is to subdivide, offer the residential portion on MLS with the option to the buyer to purchase the balance of the land.

If the acreage buyer doesn't want the rest of the quarter, then sell you are free to sell it separately.

It still takes time, and in a western Canadian economy with so much uncertainty, patience is absolutely key.

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Midwest Minute – The Emerging Value of Progressive Tender

There are many ways to sell property – Multiple Listing Service (MLS), live auction, online auction, private treaty, sealed bid tender, and now, Progressive Tender (trademark pending).

Each has its place, depending on the needs of the seller.

Right from the beginning of my real practice in 2003, I have specialized in rural properties, and was drawn into to administering sealed bid tender fifteen years ago on behalf of several local law firms.

As the lawyers and our team went along, selling thousands of acres of land in NE Alberta and NW Saskatchewan, we became aware of a certain level of discontent with buyers participating in not only sealed bid tender, but MLS and auction too.

To be successful at buying land listed on MLS, one must be among the first to formulate and present an offer to the seller. Negotiations often follow on sale price and conditions.

If you are too late to the dance, you may miss out. The next opportunity to go after the subject property could be several generations away.

Auction, especially live auction combined with equipment sales, has long been a way to determine who is most motivated to purchase at a certain point in time.

Whether live or online, buyers, especially younger farmers, tell me they are often intimidated by having to make an extremely quick decision, often just seconds each time, without the opportunity to consult with other stakeholders – family, business partners, or lenders.

With auction, sellers are usually expected to host an unreserved sale, requiring acceptance of the top bid and bidder, even if they really don't like the next steward.

If reserved, most auction companies contractually demand their commission to be paid anyway on the highest bid left on the table.

Buyers are almost always required to also pay the auction company a "transaction fee" on top of the sale price.

Added together, the cost to both the seller and indirectly, the buyer, is often significantly higher than MLS or tender.

Sealed bid tender has sometimes been called the "one and done" as buyers get the opportunity to make just one, and only one, bid. It is either successful or it isn't.

Most buyers hate flying blind with such a large transaction and sometimes, the lack of pertinent information about the land in question.

Many sellers like tender as they don't have to accept any of the bids or can choose which bidder to work with.

So, what exactly is Progressive Tender? It's a hybrid system, combining the best elements of tender and auction.

Supported by an extensive print and online marketing campaign tethered to a website specifically created to provide robust information on the property, it also gives all those who may be interested a fair and equal chance to participate.

Qualified bidders agree to enter a private auction, the purpose of which is to determine each participant's final offer.

Bidders love the chance to think through their bidding, being advised of the highest bid in each successive round until all have declared their final offer.

We give them from mid-afternoon to noon the following day to improve their offer if they choose to do so.

In today's market, farmland values are a moving target, and what a parcel is worth to the neighbour next door may be quite different from the family going by with equipment to land they already own or rent.

Each participant's motivation or financial situation is unique as well.

To prevent tampering, sellers do not know who is bidding until all final offers are declared, at which time they will determine whom, if any, of the bidders they wish to award the sale to.

In my experience, money does not always talk. There may be an emotional tie between the seller and one of the bidders that goes beyond the dollars being offered.

Most rural folk understand that principle. It is a privilege earned, not purchased.

Farm Credit Canada has stated they expect 75% of all farmland titles will transfer ownership in the next decade.

I believe FCC may be right as there is a lot of land held, or soon to be held, by beneficiaries; people who may have grown up on the property but never farmed it themselves.

While it may be an easy investment to manage in the short term, many beneficial owners eventually will want to liquidate land jointly owned with one or more of their siblings in advance of their adult children having to be involved.

It is highly unlikely that the grandchildren of the last active farming owner have any emotional ties to the property at all but see the opportunity for re-investment in housing, education, or a business.

Tenant relationships aren't getting easier either, but this will be the subject of a future column.

Vern McClelland is an associate broker with RE/MAX of Lloydminster and an active partner in his family's livestock operation. Comments on this article are welcome either by emailing vernmccllelland@remax.net or calling (306) 821-0611.

Midwest Minute – Remembering the Settlers

Sometimes on a Sunday afternoon, I drag my wife around the country looking at crop and pastureland, either in preparation for marketing it for sale or to provide consulting advice on its present market value.

Frankly, these tours are one of the more enjoyable aspects of my real estate practice as I know with every quarter there is a story to tell.

Today, we were photographing a section with steep hills with a lake nestled into the corner.

One of the hills held a family memorial site, dedicated to their ancestors who had initially settled there.

It presented beautiful vista of the surrounding countryside, and we could easily see why the location had been chosen.

While reading the names honored, it triggered the memory of an afternoon spent talking with one of the gentleman thirty years prior.

At the time, I was the Chief Executive Officer of the regional home care program and had been asked by our nursing staff to pay a visit to an elderly client they were having difficulty in convincing to accept much needed assistance with his activities of daily living.

With his wife in the local nursing home, he had moved into a small house in the community to be close to her.

Although I was initially met with some reluctance at the door, nevertheless I was invited in.

Nothing doing but we had to have coffee. I understood, my parents had always greeted company the same way, that just was how it was done.

It was prepared just like it would have been over a campfire, with cold brew of inestimable age, reheated in a container immersed in a pan of boiling water.

As the old saying goes "it will put hair on your chest!"

I noticed an old black and white photo hanging on the wall showing a smiling young couple astride horses next to a little country home with unpainted, weathered siding.

He told me it had been taken shortly after their wedding day.

As the conversation progressed that afternoon, I learned how his family had been dried out down south in the 1930s' and as a young lad he had helped drive their cattle and horse herd overland to a rather rundown ranch, all that was available to late arriving settlers at the time.

Life had not been easy, but there was plentiful grass for the stock, wood for the stove, and wildlife for the table.

They eked out a living, raised a family, and as he stated to me, "We didn't have much, but what we did have was ours. I will meet my Maker with no regrets!"

As I drove away, I couldn't help but admire the inherent strength in the man and thought the good Lord was going to get one tough cowboy to ride his range someday soon.

It will be a privilege to represent the property.

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Midwest Minute – Getting the Facts Right

It has long been a standard when preparing leases of commercial or industrial buildings to know exactly how much interior square footage the tenant should be paying for.

On the more intricately designed structures, this can be somewhat of a challenge, so landlords will often bring in a surveyor to provide a third-party certification.

Gone are the days when you would run a measuring tape down the outside and call it good, however it's still important to know the size of the overall footprint, particularly for insurance purposes.

In Alberta, Realtors are required to measure residential housing and provide a sketch with the listing.

Again, with most houses it isn't as simple as running a tape around the exterior, as there is a long list of protocols dealing with stairwells between upper storeys, bay windows, etc.

With condos, townhouses, and other types of "attached" properties, the measurement system moves indoors, literally going wall to wall.

Where it gets confusing is the original developer of the complex may have portrayed the balcony and storage locker as part of the living space, so what the first owner thought they bought, and now a brokerage can state as square footage in their marketing, can be substantially different.

Saskatchewan regulators simply require agents to make a sincere effort to be knowledgeable about the attributes of a property and should they intentionally mislead or simply ignore, run the risk of sanctions.

Personally, I think sometimes the whole measurement scenario is often irrelevant with single family homes.

I mean does the house meet your family's needs or not?

Does 1,400 square feet or 1,460 square feet really impact the quality of life within?

But hey, size does matter to some people, and there have been lawsuits over it.

Lot boundaries are a whole other matter, particularly the placement of any permanent structures within as they must meet the zoning standards of the municipality in which they are located.

A more recent challenge is developing in the agricultural sector.

With farmland values steadily increasing, I hear more and more prospective buyers or tenants wanting an accurate picture of the number of cultivated acres they can plan for.

Total acres are on the title; so that's easy enough. It's the amount of cultivated, pasture, waste, or wetlands which counts.

Many of today's grain farmers have a Global Position System on their equipment and actively map the fields as they work.

Most provide this information to their crop insurance provider as well.

However, an existing or outgoing tenant may not want to share this data with the landowner, especially someone who has never farmed the land themselves.

One, because the tenant has historically “shaved” the actual cultivated acreage to save a few dollars on rent.

Two, if it becomes available to purchase, fewer cultivated acres may mean a lower purchase price.

Definitive cropable acres can also become important when using a custom contractor, say for seeding or spraying, as it may be tempting to bill for work on an inflated number if they think the landowner is unaware of the actual ground being covered.

As a broker tasked with marketing a property for sale or lease, I really have no way of knowing what the truth is on any parcel, so this winter we have engaged in a series of discussions with agronomists and surveyors about a cost-effective way to produce reliable data for our clients.

Anyone can access satellite imagery and attempt to draw a soil map, but realistically the only sure way to verify is through low level drone flights or onsite measurement.

However the job gets done, I believe such diligence will become necessary in the not too distant future.

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Midwest Minute – Only in the Country

There appears to be different rules applied by buyers and sellers when farmland is being sold than any other type of property we handle as real estate brokers.

Let me give you a few examples from my personal experience.

I'm sitting in our conference room with the selling couple, discussing offer documents generated by a tender.

There are seven bids in front of us, but the seller instructs me to put the highest one aside.

"I will never sell to that son of a *****. It was a wet spring one year, and I got my tractor and drills stuck. He was seeding right across the road with his big four-wheel drive rig, and he wouldn't unhook to pull me out. I guess he figured his time was worth more than mine!"

I listed a quarter of land for sale for a widow who, after renting it to a neighbour for ten years, wanted the equity out of it so she could help her two children with the costs of their university education.

The former brother-in-law comes into the office and immediately starts yelling at me, saying this was family land, and his late brother would have wanted him to have it. Furthermore, he wasn't going to offer market value and in no uncertain terms, I was to tell my client he deserved to get it for a significant discount.

I pulled a copy of the title out of the file, looked him in the eye, and said "I don't see your name on this, so I guess you will just have to compete for the property with everybody else!"

He bid less than half of the highest offer, and understandably, she decided to sell to someone else.

About once per week I will get a phone call from an absentee owner, whose ancestors farmed the land he or she inherited.

The tenant has now stated they would like to buy it, but the owner doesn't know what the property is worth, and can I help?

Many times, the tenant has made a verbal offer significantly below market value. Of course, they want a deal. Who doesn't?

They tell the seller how good they have taken care of the land out of respect to the family.

The seller feels guilty about selling in the first place, having grown up with the stories of how their parents and grandparents struggled to pay for it.

To many urban owners, the number being offered is so large as to be intimidating. Furthermore, it will make them instant millionaires.

My advice? Each party should get an independent written valuation from an appraiser or broker specializing in agricultural property, share their report with the other party, then sit down and discuss a fair sale price.

If a "family and friends" discount is applied, so be it. At least, everyone goes into the deal with eyes wide open.

But of course, people being who they are, usually don't want to spend pennies to earn dollars.

In one recent case, the out of province owner jumped at the tenant's offer without getting any professional advice, and in my estimation left at least \$300,000 on the table, maybe more, given the competition for quality grain land in that district.

I wonder what her children would say if they knew mom had made a six-figure gift to someone they don't even know? For really that is the bottom line, the tenant's net worth increased at the expense of someone who was blissfully ignorant of the land's real value.

In another case, the tenant didn't step up with a fair offer until the seller told him I was contracted to take it to the open market on his behalf if he didn't come close to market value.

He quickly changed his tune, as we both knew he would likely not see that location come available again in his lifetime.

Adults making informed decisions I have no problem with.

People striving to take advantage of another gets my blood boiling.

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Midwest Minute – It Keeps Happening

I have written about this before, but it seems like this comes up almost daily in my practice, so I am going to stand on the soapbox once again.

My annoyance with agricultural tenants who believe they have the right to dictate terms of their lease to the owner. Notice I said dictate not negotiate.

Face it, there is a definite competition for farmland today. Owners should be in the driver's seat, not the other way around.

With close to 45% of Canadian farmland rented, most of it is in the hands of owners who may have grown up on the land but have never actually farmed it themselves.

Too many times these "beneficial" owners are poorly informed. And easily intimidated it seems.

First, to the land's current market value. Take a minute and a look at Farm Credit Canada's website and track the rapid escalation in Alberta and Saskatchewan over the past ten years.

Do what experienced investors do and get a professional valuation update every three years or so, if for nothing else to keep your estate plan current.

You do have an estate plan, right?

Secondly, research into what the open market would be willing to pay on a rental basis. Unfortunately, there is no definitive database like land titles to compare to but there are resources.

Every district has its own range, primarily related to the quality of the land but also to competition. In the Midwest, the range for cash rent is from \$50 to \$90 per cultivated acre, or higher.

Third, and maybe most importantly, determine what terms should be in a good agricultural lease. It is a legal contract that protects not only the principals on each side, but also their successors.

For this, landowners should be consulting an experienced agricultural lawyer not Google.

For the record, I don't understand why landowners feel they need to offer a Right of First Refusal to a tenant.

I do believe loyal tenants who have treated the land and owner with respect throughout the years should be given the first opportunity to make an offer without it being put on the open market.

To construct such an offer, each party should get a separate professional opinion on value, then sit down and see if there is common ground.

I will say this as strongly as I can. Please don't grant the Right of First Refusal in a lease agreement. All that does is allow the tenant to make the decision about what the sale price will be, instead of the owner, and almost never to the benefit of the owner.

Too many times, I have been told by qualified buyers they will not participate in bidding on land with a ROFR as it is often just an exercise to find the price it will sell for to the predetermined buyer.

I am sure this position may generate some snarky phone calls but our family rents land from our neighbours too.

We appreciate being allowed to be the guest steward of the property, and should the day come when it is time for the ownership to change, hope we will be treated as fair as we have tried to treat the owner.

No more, no less.

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Midwest Minute – If It's Farm, It Is Family

I mostly specialize in agriculture properties these days, but friends, let me tell you brokering land is not as easy as it once was.

In fact, it can be downright complex.

Approximately half of the productive grain and pastureland in Western Canada is owned by non-farming individuals, usually beneficiaries of an estate willed to them by now deceased parents, grandparents, aunts, or uncles.

Now throw in the mix long held tensions between brothers and sisters, poor health, a need for funds for retirement or to help their own children financially, or simply knowing time waits for no one in this aging ownership group.

Add a significant layer of guilt for being the generation who feels the need to divest itself of an asset held within the family for sixty, eighty, or hundred years or more.

Put in place a tenant desperate to retain his land base in a highly competitive marketplace, one who has made a decent return on the annual expenditure otherwise he wouldn't have been renting it, but down deep thinks his stewardship should beget an unwritten privilege.

On the sidelines, watching closely, are the neighbours, cousins, or former school chums of the owners, all of whom can give you their reason for being the one the owner should choose to sell to, hopefully without being challenged in the open market.

Then a new player enters the fray. A farm family in expansion mode, frustrated by the limited opportunity to acquire land in their own district, deciding to drive a stake in the ground in a new area on the hope it will be an advantageous strategic move allowing them to progressively acquire enough acres to make the long distance venture worthwhile.

They don't have pre-existing relationships to leverage, so now they will need use their chequebook to buy their way in.

Of course, this threat is met with dismay and protest by the locals.

I first saw the impact of this about a dozen years ago when I was asked by an out of province agri-business family to work with them in purchasing several thousand acres in NW Saskatchewan.

They had done an extensive amount of research on five or six regions of the province, but from their perspective, the Midwest was at that time the best bet.

They weren't casual in their perspective about it either, telling me "Your folks don't know what they have", meaning the combination of quality soil, stable weather, access to markets, and price point made this area a very good place to invest, at least in their opinion.

And they were right. Initially, the locals wouldn't pay what these "outsiders" were willing to offer, and it took several years before we saw the neighbouring landowners take their hands out of their pockets and step up with aggressive bids.

I guarantee you, if they had known then what we all know now, they would have jumped in a lot sooner.

It is said if you want to understand what will likely happen in the future, study the past.

The lesson here is if you want to grow your farm, then be prepared to compete with a widening circle of likeminded individuals.

As Mark Twain said, "Buy land, they are not making any more of it!"

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Midwest Minute – Farmland Complexities

Our team has consulted on well over 300,000 acres of farmland in the last six years.

Although we take a good percentage to market for the owners, a major part of our practice is helping families with valuation for estate planning or private brokerage.

By the time we see the land it is usually being farmed by a tenant, often with same party having been in place for a decade or more.

Some tenants have negotiated a Right of First Refusal clause into the leases, but again many have not.

Even so, the tenant often feels they should have the opportunity to buy the land before it goes into the open market as naturally, they are scared a part of their land base may be lost to a neighbour with deeper pockets.

The landowner may or may not be on board with on giving ROFR, depending on their historic relationship with the tenant.

We are often told stories about tenants taking advantage of their parents or non-farming beneficiaries themselves, being slow in providing rental payments, abusing the land, or sub-renting it without discussion with the owner.

Many are threatened when an owner seeks independent advice from an appraiser or broker.

Too often, I have seen vulnerable or uninformed owners taken advantage of.

In one case this spring, a large farmer easily underpaid an aged owner at least \$150,000 when purchasing a block of land in a hurry upon hearing the owner was going to get a professional valuation.

The lady told me afterwards she had never seen that much money in her life and didn't question the integrity of the buyer when he made the snap offer.

From my perspective, if you are going to gift a relative stranger that much money, at least you should do it with your eyes wide open, and not in ignorance.

This past week, I was asked to broker a dozen quarters for four different owners, with five different tenants. Each of these owners has chosen to add us to their advisory team to guide them through the decision-making process.

It is a multi-step plan, working collaboratively with accountants and lawyers, protecting the legal rights of all involved, but also ensuring all stakeholders understand the value of the land in question.

And, when needed, to take it to the open market by progressive tender or MLS, where the owner and the tenant can see what others think. Sometimes, the sale price is higher than the estimated value, but there are occasions when a property does not generate the expected interest too.

All sales come down to willing buyer and willing seller. The rest is just speculation. An opinion. We all have one.

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Midwest Minute – The Family Council

My business partner in real estate, who also happens to be my son, pointed out to me last week that there is a strong correlation between the type of clients we encounter in both farmland and commercial properties.

Essentially it is an ownership group, formal or informal, made up of family members.

It can be several adult siblings, beneficiaries of land farmed by their parents and grandparents, seeking to develop a way forward all will support.

Or investment properties, first assembled by the older generation(s), but currently managed by their adult children.

No one is getting any younger, and the next generation doesn't have the same emotional attachment.

The Family Council, as our Group has come to call it, may involve up to four generations at once, with three certainly not uncommon.

All of whom have an influence on the decisions to be made in the sale, purchase, or tenancy arrangements of the real estate owned.

When one sits back and looks at this from a dispassionate perspective, the similarities are striking.

The first generation into the family enterprise establishes the foundation.

Often, they arrived here from another country with no choice but to make it work. And work they did.

Upon passing, their equity was carried forward and progressively increased through hard work and prudent investment by their children, derived both from operating profits and the escalating value of the acquired real estate itself.

Every family council we engage with strives to respect its heritage, which can be both a blessing and a burden, with the members having been raised on stories of the sacrifices their parents and grandparents made, either here or in the "old country".

Several weeks ago, we hosted an online video meeting with an executor living in the United States regarding several hundred acres inherited by her and a sibling from their parents.

Land they had never stepped foot on in their lifetime.

She was referred to us by a local law firm to provide some guidance on market value including what the implications of selling the property in the middle of a multi-year lease may be.

Last week, we were interviewed about rationalizing the asset base for two different families, both of whom had decided to divest themselves of some undeveloped land in several major centers in favour of income producing properties.

Again, the plan of the management teams had to be vetted by the senior members of the ownership groups.

In both cases, some opposition was expected as the younger day to day administrators had a slightly different view from their parents about the right path forward.

Hey, I get it, as I am in business with both my sons. Sometimes, it can be a "young bull, old bull" scenario.

All parties need to communicate well and even though our life experiences may have been different, a family pulling together can be exciting and well, educational.

In the words of one of my mentors, "if you quit learning, you quit growing".

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