



## **Counting Sheep: One couple's journey from off-farm to dream farm**

### **FCC Knowledge Podcast: Talking Farm and Food**

#### PODCAST TRANSCRIPT

Interviewer: Marty Seymour

Guest: Todd Payne

MS: From FCC, it's the FCC Knowledge Podcast, a show that features real Canadian producers, real stories and real good conversation about the business of farming. I'm your host, Marty Seymour, the Director of Industry Relations at Farm Credit Canada. If you grow it, you sell it, or you add value to it, I want to know about it. Join us on our journey as we visit about everything from the economy to business planning, transition, finances, human resources, and just about anything else that keeps a farmer up at night.

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MS: If you had to give yourself advice, if you said, knowing what I know today, if I was to tell my 20-year-old self something what would you tell yourself?

TP: I would say ... I know exactly what I'd tell myself. I would say, don't buy that 1987 Camaro Z28, go buy a combine. That's exactly what I would tell myself.

MS: That is such a tweetable statement. That's an agriculture best, right there.

TP: You can almost hashtag that one.

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Todd Payne, co-owner of Asphodel Sheep Company, grew up on a small cow-calf farm in Norwood, Ontario. He'd always wanted to farm, but early in his career he realised that his job in town offered reliable income compared to the size of what his family operation could offer. Like many, he and his wife, Jennifer, decided to focus on their careers. In 2010, Todd and Jennifer purchased the Payne family farm. Fast forward 10 years and three kids later, they recently purchased Shepherd's Choice. In this episode we'll learn more about the Payne's business and their path to success, the opportunities they seized, and the calculated risks they've taken.

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MS: Today on our show I've got with me on the line, Todd Payne.

TP: Hi, Marty.

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MS: Alright, Todd, when I start off all of these podcasts I've got a couple of things I want to know. I want to know where you are right this minute and the price of land.

TP: Where I am right this minute is sitting in our bedroom because that's where my phone charger is. And the price of land around here, good arable crop land is about \$3,000 to \$3,500 an acre.

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MS: So, now where is 'here'? You're from Ontario. Help our listeners. We've got people on the line that would be from all across Canada, so paint a picture of where home is.

TP: We're in middle-east Ontario. We're just a stone's throw off Highway 7, which is actually the Trans-Canada Highway. If you were to look at a map, kind of high level, we're halfway between Toronto and Ottawa, pretty rolling land around here. Norwood is a small community about 1,300 to 1,400 people. It's growing rapidly. We have two elementary schools and a high school, and it's a wonderful little place to live. Both my wife and I grew up in Norwood.

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MS: Tell us about your farm. Admittedly, I'm a Westerner, I know cows and canola. You're in the sheep business, so tell us about this.

TP: Sheep is certainly our number one focus now. We did just go through a recent expansion of the farm. Just in April of this year, we took ownership of an operation that was named, Shepherd's Choice, and we now operate that as Asphodel Sheep Company.

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MS: Shepherd's Choice wasn't just any operation, it was one of the leading genetics farms in the sheep industry and owned by John and Eadie Steele, Todd and Jennifer's neighbours and mentors.

TP: Our farm, as of April, grew significantly. We do cash crop as well. Grains and oil seeds certainly generate the majority of our feed for the sheep. We have about 800 breeding ewes in the flock. We have one full-time employee that has a residence on the farm. So, the structure right now is that we are lambing, growing breeding stock as female ewes, and then finishing our own lambs for the meat market in Ontario, most of which would be consumed in the GTA. We also do have a couple of buyers that buy directly from us and that's for the Eid time of year, for the Muslim Eid. That is a direct-to-consumer sale,

but again, the truck just picks them up here and then they go off for processing. We're trying to put 1,000 to 1,200 meat lambs out the driveway a year.

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MS: For our listeners that maybe don't have perspective on the sheep industry, if you're saying 1,000 to 1,200 lambs, how does that put you in terms of size, relative to the average person in Ontario who might be raising sheep?

TP: Actually, before we took ownership of this farm, it's not a factual statement, but on a hunch I would say it was probably the biggest sheep farm in Ontario as far as counts, like, count of breeding stock, the number of ewes on the farm. The previous owners were over 2,000 ewes in the breeding flock. Our size, 800, there's more than a few at this size.

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MS: At the outset of this journey, Todd and Jennifer were both working professionally off the farm.

TP: I did have a machine-shop business which we had to scale back on with the transition to the new farm. I'm a tool and die maker by trade and I had a wonderful job at a large multinational company. Most people would have been very content to work that job for their career, but the satisfaction is very different that you get working for somebody else than you get from running your own operation. So, we slowly started to work towards the point where I could step back. When we finally ticked enough of those boxes, we made the jump and haven't really looked back.

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MS: In this instance, the first box that needed to be ticked off for Todd and Jennifer and their family was moving out of town, and they found an opportunity to make that happen.

TP: If we go all the way back to 2010, we bought my parents' farm and at that time it was not farming at all. They were career beef cattle people. They had 15 to 25 beef cattle their whole career and it wasn't exactly my cup of tea. But when they decided they wanted to downsize and get off the farm, we hashed out the numbers and we were able to purchase the farm that I grew up on. We just telephone-farmed some crop for a couple of years, and then in 2012 it was quite a dry year here. We had not a huge amount, but 40 to 50 acres of grain corn in. I had a custom operator in to harvest the grain corn and, just plain and simple, was not happy with the job that was done. Corn was \$300.00 a tonne at the elevator and we're picking cobs out of the field, so that was not acceptable. I said to Jen at that point, I've got to get a combine. I couldn't handle not having that control.

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MS: The Paynes didn't go crazy here. They bought a combine for \$14,000. Of course, there were plenty that were newer, nicer, prettier, that would have worked just fine and they would have loved to buy them, but Todd ran the numbers and that was the practical choice based on their gross revenue at the time. Fun fact, they still run that combine today.

TP: We also bought our Hastings farm at that time as well.

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MS: The Hastings farm is nicknamed for a piece of land that Todd and Jen bought that same year, 83 acres of land that came up on a sale nearby. No buildings on the land so it was priced fairly affordably, but Todd and Jen inquired and learned that there was a chance that Rogers Telecommunications was going to build a cell tower on it. They tried to learn as much as they could.

TP: We did take a calculated risk there, again, looking at opportunity. That farm had a site plan done from one of the large telecommunications companies, that it was site planned for a cell tower. We knew what that would generate each year in revenue, but it wasn't a sure thing. It wasn't for sure that it was going to go ahead. We paid a little bit more for that farm than we should have.

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MS: The Paynes ended up paying full asking price for the land. Todd guessed it was probably 20% more than they should have paid, but with the information they had, he felt it was a risk worth taking.

TP: We didn't own the farm a year and the tower was up and basically the farm was paid for. Not instantly, but the tower was generating enough revenue to pay the mortgage on the farm.

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MS: Where I grew up, that's like someone finding a gravel pit underneath your land right by the RM road that needs to get built in the next couple of years. So, yeah, it makes total sense.

TP: It just accelerated the plan, because if we had to generate the revenue to pay for the farm we could do it, and we were willing to do it. It's not like if the cell tower didn't go ahead we were going to lose the joint. It was just like, man, if this does go ahead, this is going to be sweet.

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MS: So, in 2013, the wheels are really turning, things were happening, the Paynes were for real.

TP: So, 2013, 2014, 2015, we were cash cropping, small-square baled hay, you name it, whatever we could do. The custom work started flowing in for round baling, combining. The machine shop business as well, started growing. All of this while holding down an off-farm job, so those were pretty busy times.

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MS: When I think about that, clearly, at some point you had to sit down and come up with a bit of a plan or a recipe. Would you say that in those early years as you were working in town, you've got things hustling at the farm, making hay here, that that was just responding to whatever stimulus came – opportunity, bang, fill it. Or was all of that very deliberate on a path to somewhere?

TP: In the early going, and even to this day, with me it's always about opportunity. You've always got to be looking for an opportunity to strengthen your business, or a new market, or whatever. These things, back then, it was just simply all about gross income. Growing a business, especially in agriculture, it takes so much money, it takes so much of that capital investment. We all know you'd be very hard challenged to turn a true profit in the early years. I would hazard a guess that maybe some people never turn a profit. I don't believe my parents ever did. Not that there's anything wrong with that. They hogged the farm and that was their gig, and that was fine. But for us, in the early years, it was all about the opportunity and I wanted to see that gross income climbing north every year. That was the strategic goal. I would walk out the back door and look at that tank barn and it just drove me nuts because there was opportunity sitting there, it was just, how do we harness it without cows? That's kind of what got me sitting in the laneway of our current farm talking to Sheperd's Choice about sheep.

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MS: At what point did you feel you had to start to plan, versus just the next door opens, I'm running through it. Was there a tipping point for you in this journey?

TP: Yeah, there was, and when we really started to plan was when Jen and I sat down and I said, gosh these 18-hour days are getting a little bit crazy here. We need to make a plan if we're going to stay in the farm business. We need to make a plan that I can focus on it more. That was somewhat driven by, again, opportunity at my previous employment. I was presented with a contract for a salaried position, so a big step forward in that company. We were sitting at a delta or a crossroads, whatever you want to call it, right there.

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MS: Up next, Todd and Jen make a big decision about their future. Does Todd take the job offer? Don't forget, for more great conversations like this, be sure to subscribe to the FCC Knowledge Podcast and never miss an episode. We release a new conversation each month and are excited to share more stories from the people who make Canadian agriculture better.

The Paynes were actually featured in a recent edition of FCC's AgriSuccess Magazine. AgriSuccess is a publication dedicated to helping farmers advance their farm management practices through practical advice and real-life examples. You can subscribe to AgriSuccess to learn more about their unique farm transition with their neighbours, and to receive four complimentary issues per year.

TP: If I had accepted that responsibility, we would have had to scale back on the stuff outside, to be fair to my employer.

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MS: As you maybe guessed, Todd turned down the job offer, to the great surprise of his boss, but he stayed on in his current role with the company.

TP: So, that was the crossroads and that was when the plan really started to be a little more strategic and not just opportunity. It was sort of compartmentalised, the business.

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MS: As you started to write that plan, did you have a written-down plan?

TP: I would say, no, until we came to the point where we had the opportunity to purchase Shepherd's Choice. Then we had to start writing stuff down. My brain couldn't hold any more. The plan was getting complicated enough and more players coming into it that, yeah, we had to start writing stuff down and projecting what we can do and what we think we can do.

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MS: So, now you're starting to write stuff down because you've basically got a critical mass where there's more to lose, there's more moving parts, we've got to start to write this stuff down. Did you chase the business elements that you loved, in terms of, was it the emotion that I enjoyed? Sheep, that's what we're going to do versus something else. Or did you chase the net revenue, or in your terms, you used gross revenue. Did you chase that revenue line or the passion line?

TP: For profit, totally. It's not that I ... I enjoy all of it, I do. I have the best job in the world. All farmers say that, but I do enjoy all of it, but I chose ... like, we expanded in sheep because they were the most profitable.

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MS: Sheep also solved Todd's empty barn issue. Remember that empty barn that was bothering Todd?

TP: I would walk out the back door and look at that tank barn and it just drove me nuts.

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MS: When they chose to decline the job offer from his company, Todd and Jen had picked their lane and Todd started seeking out opportunities. He looked around and asked himself, who is doing well out there? That's when he saw his neighbours, the Steele's, who owned Shepherd's Choice. You could tell it was a successful operation. It was busy, they had stuff. Todd wasn't hankering to be a sheep farmer but he thought it would be a good fit for their business. In 2015, the Paynes brought their first 50 sheep from Steele's into their repurposed dairy barn. Then they bought another 50 sheep in 2016.

So, along your journey now, you're getting a little bigger, you've got a little momentum, you work from home. Did your plan ever take a left turn?

TP: I can't say that there's been any major curve ball. I guess we keep the plan fluid enough and dynamic enough that, even when you're writing everything down and you're trying to stick to a plan, I guess you can cause yourself more grief by being totally rigid and inflexible, than it is to be a little more dynamic and deal with anomalies as they come. Because, if you can be a little more flexible, then that little bump in the road doesn't turn into the big left turn.

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MS: For Todd and Jen, sheep had to prove themselves. Todd continued to work off-farm until their third child was born and then he took an unpaid parental leave. This was the family's low-risk kick at the can to see how the sheep were going to work out. It was their chance to just function with just farm income and Jen's income for a while with the safety net of a job that Todd could go back to.

I guess I am interested in the entrepreneur's journey as well, and it's not always an easy road. If you think about those early days as you're trying to scale up, outside of being so busy and your 18-hour days, what do you think was the hard part?

TP: This is just a small town, and I've got to think that it's not a lot different than a lot of small towns in Canada. It annoys me that I kind of worry about or think about what other people, what their perception may be of what we're doing. I see the coffee shop guys drive by slowly to see, oh, what's he doing today, kind of thing. I guess the hard thing for me is to try to close that out and know that ... I know we're doing it right and I know we're doing it right for us.

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MS: I don't think that's a unique experience for a lot of people in small business that are trying to carve their own path and the neighbours are judging. Agriculture has many stories and examples of that.

TP: I would agree with that.

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MS: Don't let coffee row hold you back from innovating. That's what our industry needs.

TP: Yeah.

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MS: If you had to give yourself advice, if you said, knowing what I know today, if I was to tell my 20-year-old self something what would you tell yourself?

TP: I would say ... I know exactly what I'd tell myself. I would say, don't buy that 1987 Camaro Z28, go buy a combine. That's exactly what I would tell myself.

MS: That is such a tweetable statement. That's an agriculture best, right there.

TP: You can almost hashtag that one.

MS: Todd did eventually retire from his off-farm gig and went into full-time farming about three years ago, shortly after returning from his unpaid leave.

If you fast forward your family model and the kids say, hey, we're going to continue on with our careers, not farm, do you and your wife have any emotional attachment to that first quarter, that old farm from your parents?

TP: I can answer that very quickly. We sold my parents' farm to buy our new farm, because it was bigger, significantly bigger, significantly better set up for the sheep business. It's on a quieter road, it was a nicer house, it was everything better. There was very little emotion that came into that because if you can stay out of that trench and look at the facts that are presented to you, it's a slam dunk. I don't see why bricks and mortar become an emotional attachment.

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MS: That's a great point and it's a good philosophy to look at your business like a business and drive your strategy around that centralised theme, around your core values. So, bravo to you for sticking to that. As we wrap up this entire interview, what's next for you and Jen and the kids? Where is the future? What does it look like?

TP: Really, we're going to spend the next three years making this farm work the way we want it to work. This is a very good set up to chase the opportunity of these Eid market lambs. Eid is not a specific date each year. It continues to move 10 days earlier every calendar year. So, we had lambs out the driveway this year on July 30. Next year they'll go out the driveway on July 20. This farm, for several years now, has been a spring lambing farm, once a year, annual lambing. Not totally our cup of tea, so we do tend to do that barn lambing where we're tracking everything, but we've got to keep moving it earlier if we want to catch the opportunity of this Eid market. So, we're modifying and building some infrastructure so that we can bring that lambing into a colder season. That is certainly very high on the strategic plan right now. Beyond that, make more money than you spend, right?

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MS: That's great advice. It reminds me of a great line that my dad gave to me once about 'make more money than you spend'. His point to me was, you don't actually need to make more money, you need to stop spending so much, was his advice to me.

TP: Yeah, well, my dad still can't really quite get his head around what we're doing and what we've done. I would say though, don't miss out on an opportunity because you think you can't bankroll it. If that is genuine opportunity, you need to talk to somebody and make that happen. But don't spend less and miss opportunity. The specific example I'll use is, if we just continued here on a once-a-year lambing that started in April, next year we might have 120 lambs go out the driveway for Eid. The year after that it might be 50. The year after that, nothing. So, don't miss opportunity because you're not willing to ... I'm not going to use the term 'spend', I'm going to use the term 'invest'.

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MS: That's really good advice. So, how do I de-risk that investment? Are there are things you've learned along the way that can do that? Because clearly, every decision has its pros and cons.

TP: That's a big one. Farming is all about risk management, it doesn't matter what ... maybe business in general is. I'm not sure I can spit an answer out for you on the spot right here about how to de-risk it.

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MS: So, if I could paraphrase what you're living is you're doing your homework. It sounds to me like, when you're making these decisions and you're investing in the ethnic market for lamb sales, you're thinking ahead three years of when's the holiday date? You're doing your homework on land, some of the deals in the area. Just doing your homework up front is a great way to de-risk, and I think a lot of us just don't think in that simplistic term. We tend to think there is some magic formula or some phone call that we make

that makes that go away. I just think, Todd, you're living it through your behaviours this way.

TP: Yeah, I guess you're possibly right. There's certainly risk in everything we do. There was risk in buying a farm and quitting my job and everything. But there's risk when you swing your legs out of bed in the morning, too, I guess.

MS: Todd, I want to thank you for joining us today. I think you've got some great principles in terms of forward thinking, thinking out three years, and trying to build your plan around that, and then staying fluid to that plan. Sometimes writing our strategy, our vision, down in a book, it doesn't always play out that way. I think you have lots to be proud of, so thanks for joining us today on the FCC Knowledge Podcast

TP: Thanks Marty, it was fun, I appreciate it.

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MS: Any other closing thoughts?

TP: No, not really. I've got to tell you, I feel weird people asking me to give people advice because I still feel like I'm too young or too inexperienced to give advice out there. And when I can step out and look at what we've done at a high level, I do see that we've probably tracked pretty quickly into this and done not so bad of a job. But I still feel weird giving advice.

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MS: I know how you feel on that. I think that speaks to your humility, but imagine yourself listening to someone else doing this, offering up some content and ideas, I think the farm community is thirsty for that. So, you might use the word 'advice' or just simply sharing your experience. Those are interchangeable to me, so I'm giving you permission today that you're allowed to call this advice and go to the coffee shop tomorrow and say you just pounded out a whole bunch of really good advice on a podcast.

TP: Well, shockingly enough, I don't go to the coffee shop, I make my own coffee.

MS: Well, if you want to get ahead of the rumours around town, you've got to participate in them. That's the one core value.

TP: Well, there you go. I guess that's where I'm dropping the ball, right there.

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MS: The Paynes farm business journey is far from over. Most recently they've been settling into their new home and their new operation, and getting their feet under themselves for the next new, exciting adventure. Today we learned about the importance of opportunity

and capitalising on it. Todd and Jen recognised an opportunity when it came their way. Even better, they believed in the importance of investing in those opportunities. It wasn't just about trusting their gut or pursuing every chance that came along. As an opportunity arose they worked to reduce the risk by equipping themselves with as much information as possible. There's always risk, there's risk in everything we do, but by doing their homework about the land available for sale or the markets they wanted to pursue, the Paynes could take calculated risks and move their business forward and help them drive their growth. Todd and Jen also know the value of a plan and continue to balance that with their ability to be flexible. They understood what they were aiming for, increase gross revenue year over year, but they were always open on how they got there. They diversified and expanded with sheep because it worked for them, it worked for their business.

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