



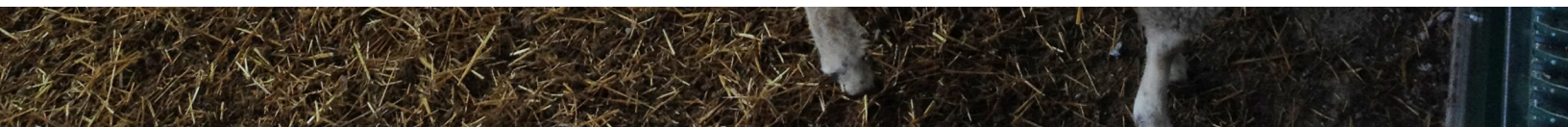
# Carncroft Farms

One in a series of profiles for the  
Friends of the Greenbelt Foundation



Possibility grows here.

Supporting the long-term viability of farming within the Ontario Greenbelt is a primary objective of the Friends of the Greenbelt Foundation. This profile of Carncroft Farms is one of a series capturing the business practices and management skills of successful and innovative Greenbelt farmers.









# Carncroft Farms

## Introduction

Several farms profiled in this series have cited working with others as instrumental to their business success, but none have pursued that approach more successfully than the Carnaghans. The sharing of ideas, equipment, and knowledge with neighbouring, like-minded peers is not pursued for the sake of profit as much as it is a community philosophy. Their lamb enterprise employs a unique three party ownership and operational arrangement. In partnering with other lamb producers and an abattoir in a value chain, they have leveraged their collaborative efforts to their collective benefit.

The origin of Carncroft Farms' operations has little relevance in terms of the business' success today, but it is important to the current Carncroft owners. The farm was established in Scarborough in 1837 and relocated to Blackstock, Durham Region, by John Carnaghan in 1955. John's grandson, Luke Carnaghan, and his wife Jenny, took up the reins of the operation in 2003 when the business was comprised of 15 beef cows and 100 ewes.

Today, Carncroft Farms owns 250 acres and rents 100 acres in the area. The cow-calf side of the business is based on 40 primarily Angus beef cows that are rotationally grazed, with stockers sold to a neighbouring feedlot. Their land produces hay and pasture, as well as corn, soybeans, and wheat. The business adopted a formal partnership structure between Luke and Jenny last year.

Like many establishing farmers, the Carnaghans have relied on off-farm income. For the past 17 years Luke has worked full time

## Company Aspirations

The Carnaghans' goals are modest: to make a living, build a future for their children, and have a career that they enjoy. Their short-term goal is to replace the income that Jenny no longer earns when she returned to work full time on the farm. While most of the farm operators profiled in this series identify returns and profit as key motivators, Luke and Jenny value different outcomes.

for a neighbouring cash crop farmer. Jenny held down a full time, off-farm job until seven years ago when the couple started their family which now includes three young children.

Lamb production is the main enterprise for Carncroft Farms. The operation has been expanded from their own herd of 150 ewes to a 700 ewe operation with ownership shared among three parties. Both Jenny and Luke are optimistic about the potential of the sheep industry in Ontario, and are constantly seeking new ways to improve and expand their business.

The Carnaghans attribute their success and optimism to two strategic decisions. In each case they capitalized on their strengths, assets, and abilities while partnering with others to boost returns. When faced with the challenge of building their herd, they joined forces with a young neighbouring farmer and have since grown the herd to 700 ewes.

The barn they use is owned by a third individual who happens to be Luke's cash crop employer and the father of Luke's and Jenny's herd expansion partner. The cash crop farmer owns the barn and one-third of the ewes. The Carnaghans and their partner own the other two-thirds of the ewes and provide the sheep operation labour. The venture is not structured as a three way ownership, but the expenses and profits are shared by the three parties.

In the second instance, the Carnaghans shifted their marketing strategies in 2013 from traditional livestock auction sales serving the Christian and Greek Orthodox Easter markets to year-round lambing and collaborative marketing with five other Ontario lamb producers and a major Ontario lamb abattoir to serve markets throughout the year. The producers formed Trillium Lamb Inc. to manage relations and pricing with Newmarket Meat Packers.

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## Successes

The Carnaghans consider themselves to be in a “good place” in their business and lives. They are making a living, are happy, and are doing what they want to do. Unlike farms with multiple owners seeking returns on capital, or farms pursuing growth to accommodate additional family members in the business, the Carnaghans can pursue what is important to them. Their priorities and accomplishments include being able to keep the family farm in operation. They also take pride in the relationships they have developed: “A huge asset is the core group of farmers that are our generation who grew up here and came back to farm. We use each other’s knowledge and share equipment if needed. This does not happen in all farming communities, but we have a great group of friends and neighbours in this area.”

The key strategic decision to join the value chain eliminated the risks of once-a-year market prices and instability. The abattoir fees are pre-determined and set for a lengthy period.



The Carnaghans credit the success of their relatively young business to their pursuit of further education and business skills, and the networking and mentoring of nearby farmers, in particular the crop farmer for whom Luke works. Open-mindedness and courage in the adoption of different production practices has also been helpful. The Carnaghans reflect: “We are on a good path and headed for continued success.”

## Current Challenges

The Carncrofts do not identify any significant current challenges. If they elect at some point to expand their sheep operation they will be required to expand facilities and source additional breeding stock – projects that would bring challenges that they have proven themselves capable of overcoming.

## Strategic Focus and Decision-Making

There is no formal strategic or business plan for Carncroft Farms. The Carnaghans have not felt the need for any formal long term planning because they have been on a track to expand their sheep herd and have just recently changed their lamb marketing approach. They appreciate the value that could accrue from more formalized long term thinking and fully expect to reach that point as their family ages and succession becomes a more important consideration.

The owners of Carncroft regret that they did not take the decision to expand the sheep herd earlier. Nonetheless, their expansion relied on their unique three-party production partnership. Financing the expansion without the three-way partnership would have been difficult. In terms of joining the value chain, that option was not available until their production reached the required threshold to be a member. Capitalizing on those possibilities and achieving the benefits of both decisions demonstrates their ability to generate solutions, as well as act on opportunities.

A decision currently before Carncroft Farms concerns the sourcing of the breeding stock for further herd expansion and the dearth of new sheep genetic producers, those who provide rams and ewes to commercial producers like Carncroft. This could represent a business opportunity for the young couple who share an optimistic view of the sheep industry’s future, especially those who have proven their adeptness at forging alliances and using knowledge from fellow farmers.

The sheep barn used by Carncroft Farms is at capacity, and any expansion in the flock will require the construction of additional lamb finishing space.

Luke and Jenny are open to new ways of improving and expanding their business. Growing edible beans is an endeavour Luke favours, though it would require purchasing or renting additional land. Other potential moves include an expansion of the beef cow herd and entry into the dairy sheep sector.

Specialization in farming has become the norm in Ontario, with a drive for efficiency and economy of scale to remain competitive in global markets. The Carnaghans are well established in sheep production where markets are underserved and growth can be accommodated. They may well need to seriously weigh the benefits of any further diversification against the returns that could accrue from growth in their lamb operation.

Management at Carncroft Farms is relaxed, with the Carnaghans making most decisions related to the three-party sheep operation. Luke makes cropping and beef decisions autonomously and Jenny manages the sheep operations. Only the more important issues are considered jointly.

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## Best Management Practices

### Marketing

Carncroft Farms has committed to a term of membership in the marketing value chain to send the bulk of their lambs to Newmarket Meat Packers, the value chain abattoir. In return for that commitment, Carncroft avoids the market price uncertainty of selling through the auction market system, shortens the distance to truck lambs to market by half, and has increased certainty of payment. When the Carnaghans were supplying restaurants prior to joining the value chain, the market demand for carcass cuts was uneven, resulting in difficulties marketing the remaining parts of the carcass and hence reduced profitability.

Carncroft maintains a freezer trade business where customers can buy individual cuts, or a whole or half lamb carcass, cut to their specifications. Prior to entering the value chain, this marketing approach was envisioned as the principal manner of selling their lamb. The Carncroft Farms' website promotes the lifestyle attributes of the farm, as well as their lamb products, and they maintain Twitter and Facebook accounts.

Adhering to food safety and traceability programs are mandatory within the value chain. The Carnaghans take advantage of every opportunity to promote their direct-to-consumer, freezer trade business through Foodland Ontario and Durham Farm Fresh Marketing Association.

### Financial Management

Luke and Jenny appreciate the benefits of good financial management and acknowledge that they could be more on top of operational costs and returns. Jenny is responsible for managing finances, and has a good handle on costs and cost containment. They are confident in the advice they receive from their accountant.

Membership in a beef management club affords an opportunity to benchmark costs against those of other local beef producers. Likewise, their colleague Trillium Lamb Inc. producers employ a common cost of production calculator to generate comparable cost data. Like many peers, the Carnaghans find it difficult to ascertain accurately their financial performance compared to that of cooperators with whom they share data. Attributing some shared costs to a number of enterprises can be difficult in a diversified business.

### Production Management

Retaining young ewes to grow the breeding herd and at the same time maintaining market income is a constant challenge and conflict. They overcome the problem by sourcing some replacement ewes from established value chain partners.

Timing of their lambing had, until 2013, been a challenge, as traditional spring lambing conflicted with Luke's full time cropping job, an issue partially addressed by Jenny's return to the farm business. To achieve a year-round lamb supply, the Carnaghans employ an accelerated lambing program with each ewe lambing three times every two years, rather than the traditional alternative of annual lambing. Lambing seasons are also staggered among value chain members to ensure an even supply of animals to Newmarket Meat Packers.

Trillium Lamb Inc. shareholders and suppliers all use Radio Frequency Identification tags on their lambs, so each carcass is traceable back to the farm of origin. Newmarket Meat Packers has updated its equipment to read and share carcass information with the farmers. The Trillium producers can then use those numbers to select genetics based on carcass traits, such as percentage cut-out or shipping weights.

Carncroft Farms uses innovative technology as much as possible:



- They have been collecting sheep production data electronically for several years in order to manage the breeding herd to achieve maximum production. The practices employed by specialized breeders to advance genetics within the sheep industry are being adopted by some large commercial flocks like Carncroft Farms.
- New equipment is being installed to expedite the feeding of lambs with milk.
- With the assistance of an Ontario Ministry of Agriculture, Food, and Rural Affairs specialist, Carncroft Farms has developed and implemented a conveyor belt feeding system - a novel development for the province's sheep industry.

### Human Resource Management

Human resource management demands have not yet materialized at Carncroft Farms. When exploring further flock expansion or entry into sheep milk production, the Carnaghans will need to consider the potential staffing implications.

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### Risk Management

The wheat, corn, and soybean crops are largely forward contracted to control market risk, but crop insurance is not carried. Carncroft Farms participates in the government-funded AgriInvest and AgriStability programs. Their most significant risk management strategies are their value chain marketing with its guaranteed annual pricing, and their production diversification.

### Outside Advisors and Support

The Carnaghans have an established group of outside advisors: their accountant, lender, crop specialists and agronomists, and livestock nutritionist. The relationship they value most is the one forged with a sheep veterinarian, as specialists in sheep health are not easy to come by, and veterinary advice is often needed to deal with immediate and critical issues.

Luke and Jenny identify informal continuing education and learning from others as keys to their success. Luke participates in the Durham Soil and Crop Improvement Association and Durham Cattlemen's Association. They involve themselves in community and peer events, educational seminars, and extension meetings to stay abreast of industry developments and to exchange and share information with others.

Carncroft Farms has received assistance from the provincial government and other agencies to grow their business. They used Growing Forward 2 funding for farm projects, and Kawartha Conservation Authority top-up funding through the Environmental Farm Plan program. Cost-share funding was received to support their food safety and traceability programs, an improved handling system for cattle and sheep, a software program to monitor sheep medication use, and data collection equipment to read electronic sheep tags.

Community is very important in Luke and Jenny's lives, once again demonstrating how their values extend beyond the financial performance of their business. To achieve work-life balance they take regular family vacations and volunteer on the local fair's board. Jenny serves on the local elementary school parent council, while Luke coaches and plays hockey.





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