



Canadian Agricultural Safety Week, March 14 – 20, 2010

FACT SHEET #5

Down time = losses

The bottom line for any business is profitability. An important part of maximizing profits is minimizing losses – and that includes losses due to injury, illness, or death of the farmer, farm family, or farm workers.

“*Plan • Farm • Safety.*” is the theme of this three-year Canadian Agricultural Safety campaign. Each aspect of the theme will be promoted over the next three years. This year the campaign will promote “Plan” with safety walkabouts and planning for safety. In the second year, the focus will be on “Farm” including implementation, documentation and training. In the third year, emphasis will be on “Safety” including assessment, improvement and further development of safety systems.

The year-long “Plan” campaign will be launched with Canadian Agricultural Safety Week (CASW), from March 14 to 20. The Canadian Federation of Agriculture (CFA) and Canadian Agricultural Safety Association (CASA) deliver CASW in partnership with Farm Credit Canada (FCC) and Agriculture and Agri-Food Canada.

“Farm safety is a choice, not an act of fate,” says Greg Stewart, FCC President and CEO. “It’s up to each of us to make informed and safe choices in our workplace because in agriculture, even taking small risks can have dire consequences.”

On average, 115 people are killed and another 1,500 are seriously injured by farm-related incidents in Canada each year - and many more minor injuries are never even reported. The cost to our economy for agricultural injuries is estimated at between \$200 and \$300 million annually, shows a study by the Canadian Agricultural Injury Reporting program (CAIR).

Through provincial worker’s compensation board programs and private insurance you can partially protect your business from losses incurred from injuries, illness, and death. Although it varies from province to province, most provincial worker’s compensation board programs require that employees be covered for benefits that include medical aid, payment for lost time, rehabilitation, permanent disability awards, pensions to dependents, and funeral benefits. An employer’s claim history is factored into premium rates with higher claims demanding higher premiums.

However, farm owner-operators and their related workers (children, siblings, and parents) do not necessarily require this coverage in all provinces. This is significant considering that in Canada, 61 per cent of farms are owned and operated by one person, 27 per cent are partnerships, 10 per cent are family corporations, and only 2 per cent of farms are non-family corporations, says Statistics Canada.

From a business perspective, it is imperative to make an informed decision as to what a farm-related incident could cost your business, then have a plan as to how the situation could be handled. Keep in mind that it is estimated that for every one dollar of insured costs there will be five dollars of uninsured costs. Whether it is an insured employee or an uninsured family member, some of the hidden costs of injuries may include:

- Wages to the injured worker not covered and lost time wages on the day of the injury.
- Wages to uninjured workers who stopped to watch or assist the injured, or who depend on the output of the injured worker to complete their task.
- Wages to the person caring for the injured worker including stabilizing the scene and waiting for emergency medical services or taking the worker to the hospital, filling out forms and incident reports.
- An ambulance if the injured worker needs to be rushed to a hospital.
- Damage to product, property or equipment. If these are insured then a deductible may apply.
- Costs associated with instructing, training and repositioning workers, or in some cases hiring new employees.
- Cost of lost production while retraining a replacement, or when the worker returns to work.
- Cost of investigating, processing of claims and related paperwork, telephone calls and follow-up.

If you calculated the costs of each of these considerations – including the number of people and hours multiplied by the hourly wage rate – what would the total uninsured cost be?

Now consider this – if your business runs on a profit margin of five per cent, and if the total uninsured costs were \$5,000, then your business will have to generate \$100,000 in sales to pay for this incident. Likewise, if your business runs on a two per cent profit margin, then your business will have to generate \$250,000 in sales to pay for this incident. Wouldn't it make better business sense to just prevent the injury in the first place?

As you can see, it makes good business sense to minimize losses through injury prevention. This can be achieved by doing a safety audit on your farm, keeping all machinery in good repair with safe guards in place, having adequate accident insurance coverage, training workers in safe practices, leading by example, and making safety a priority on your farm.

The CFA, FCC, CASA, and AAFC want to remind Canadian farmers to “*Plan • Farm • Safety.*”

- 30 -

*** Free photos and cartoons are available to accompany this article at www.casa-acsa.ca .

For more information call:

Theresa Whalen, CFA Farm Safety Consultant

Tel: (613) 822-0016 E-mail: farmsafety@cfafca.ca

To download a copy of this article, visit web sites www.casa-acsa.ca or www.cfa-fca.ca

**IN TIMES OF INTENSE COMPETITION AND LOW PROFIT MARGINS,
LOSS CONTROL MAY CONTRIBUTE SIGNIFICANTLY MORE TO PROFITS**

This table shows the dollars of sales required to pay for different amounts of costs for incident losses such as injury, illness, damage or theft. The amount of sales required to pay for losses will vary with the profit margin., i.e. if an farm's profit margin is 3%, it would have to make sales of \$333,000 to pay for \$10,000 worth of losses.

YEARLY INCIDENT COSTS	PROFIT MARGIN				
	1%	2%	3%	4%	5%
\$ 1,000	\$ 100,000	\$ 50,000	\$ 33,000	\$ 25,000	\$ 20,000
5,000	500,000	250,000	167,000	125,000	100,000
10,000	1,000,000	500,000	333,000	250,000	200,000
25,000	2,500,000	1,250,000	833,000	625,000	500,000
50,000	5,000,000	2,500,000	1,667,000	1,250,000	1,000,000
100,000	10,000,000	5,000,000	3,333,000	2,500,000	2,000,000
150,000	15,000,000	7,500,000	5,000,000	3,750,000	3,000,000
200,000	20,000,000	10,000,000	6,666,000	5,000,000	4,000,000

SALES REQUIRED TO COVER LOSSES

A twelve-year study by the Canadian Agricultural Injury Surveillance Program found the average cost for each agricultural workplace fatality was \$275,000, while injuries followed by permanent disability were \$143,000. The cost of each hospitalized incident averaged \$10,000, and non-hospitalized incidents were \$700. The total cost to the Canadian economy for agricultural injuries is estimated at between \$200 and \$300 million annually.