



Farm Management Consulting



MNP Canadian Agriculture Industry Outlook 2017/18



Presented by: **Jonathan Small P.Ag B.Sc FEA.**

Date: **April 2017**

Ag Industry Outlook – Table of Contents

- Canadian Agricultural Industry Outlook 2016/17
 - Crops
 - Dairy
 - Poultry
 - Cow/Calf
 - Feedlots
 - Hogs
 - Agri-Food
 - Wineries
- Contacts
- Appendices
 - Our People
 - Special Situations

Industry Outlook 2017/18



Crops

- In the West the first of 2017's two harvests is underway for some. About 2.5 Million acres.
- Wheat bearish, Canola Bullish.
- Land prices continue to defy gravity – Canada up 7.9% in 2016.
- Federal consultation on grain deferrals.

Safe Guards

- *Equipment ratio on grain farms is important.*
- *Ensure all property of creditor included on debt security*
- *Verify proper registration on land and related farm equipment*
- *Verify crop insurance & AgriStability status*

Industry Outlook 2017/18



Dairy

- Very buoyant sector right now. Additional 12% of quota/incentive days since Jan 1.
- CETA goes ahead, TPP does not – new NAFTA to worry about.
- Maxime Bernier & supply management.
- CFTA does not affect supply management.
- New ingredient strategy & Diafiltered milk.

Safe Guards

- *Understand the quota:*
 - *Provincial legislation re: transferability.*
 - *Debtor's utilization and options to lease out quota.*
 - *Understanding compensation rules will have bearing on security.*
- *High land values may support security position*

Industry Outlook 2017/18



Poultry

- Prices and consumption continue to improve.
- Outlook steady-good.
- Consumer-power (Timmies & Burger King moves on welfare).
- US/Trump to go after poultry supply management too?

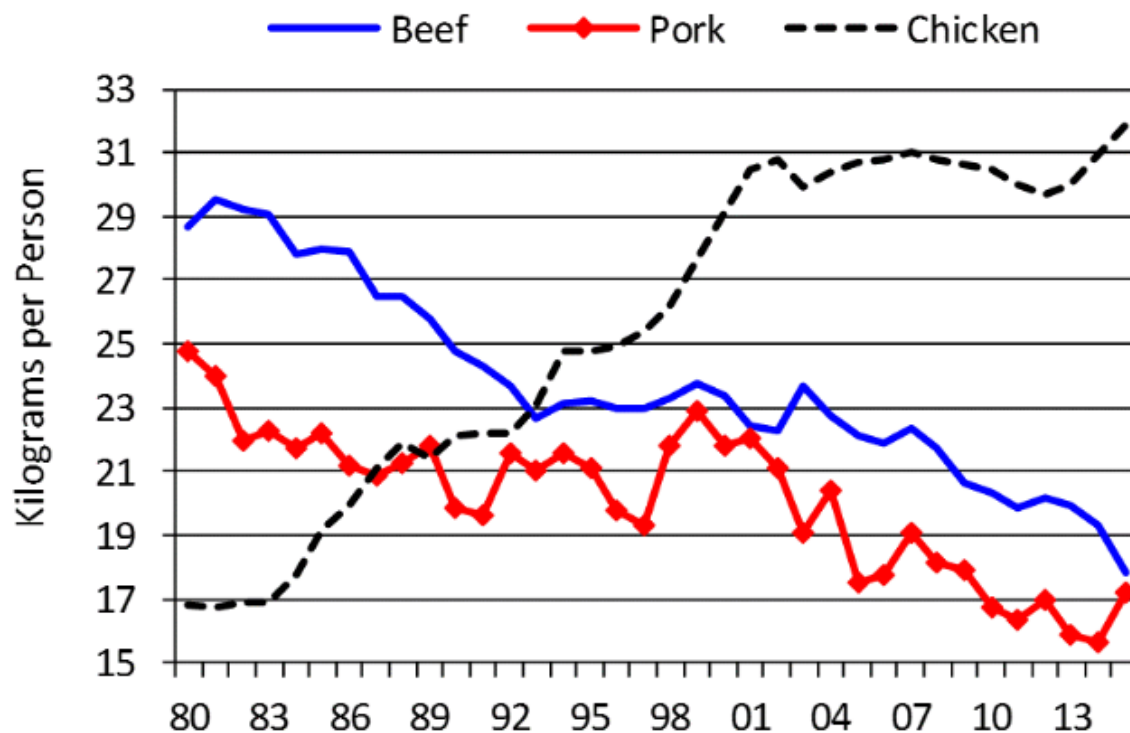
Safe Guards

- *Understand the quota:*
 - *Provincial legislation re: transferability.*
 - *Debtor's utilization and options to lease out quota.*
 - *Understanding compensation rules will have bearing on security.*
- *High land values may support security position*

Industry Outlook 2017/18



Canadian per Capita Meat Consumption



Source: Statistics Canada

Industry Outlook 2017/18



Cow/Calf

- Cattle cycle continues inexorably.
- US herd rebuilding but signal to rebuild not seen in Canada – heifers retained down 1.8%.
- Feeder prices remain significantly <2015 and 2016 (but improving trend).
- Cow-calf gross margins return to normal.
- Bovine TB – encouraging signs.

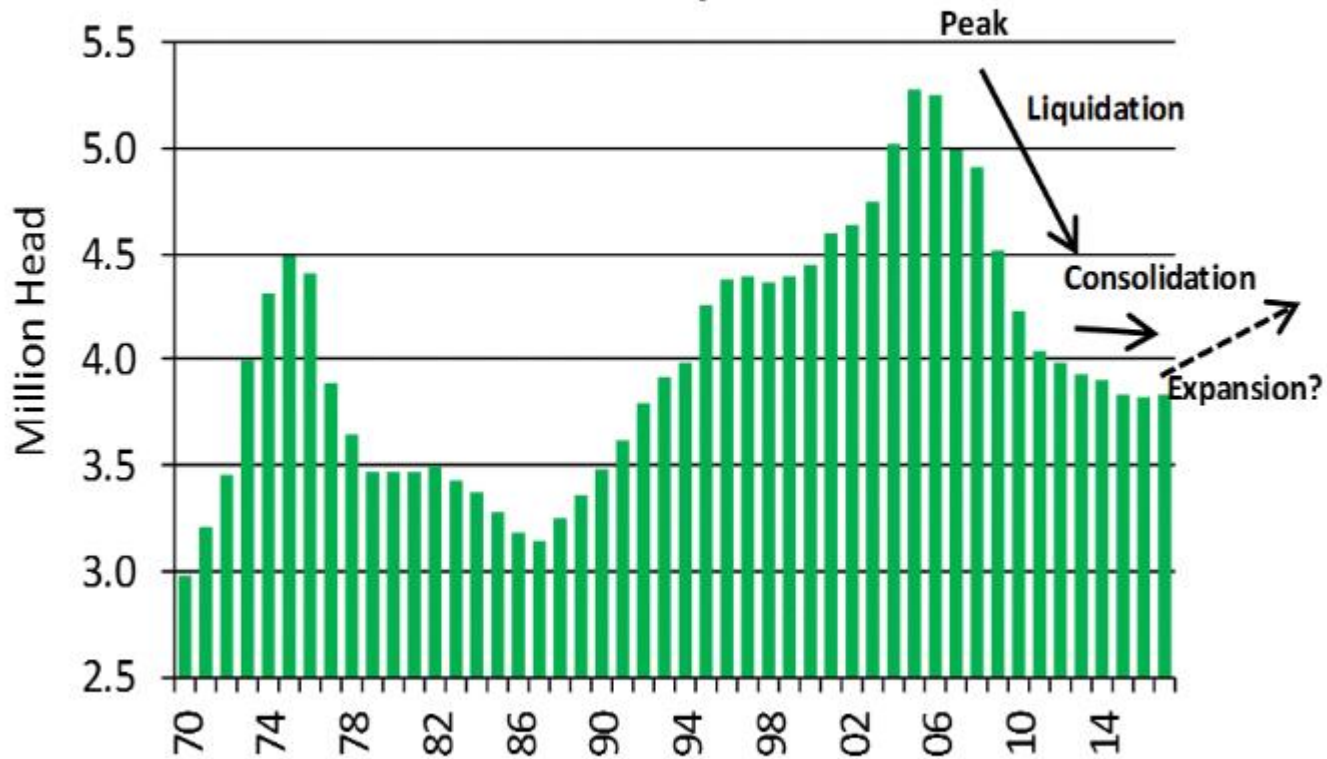
Safe Guards

- Perform walk-through on short notice
- Verify inventory and require manifests and/or proof of purchase or sale.
Look closely at inventory values.
- Verify AgriStability and risk management practices.

Industry Outlook 2017/18



Canadian Beef Cow Numbers January 1



Source: Statistics Canada

Industry Outlook 2017/18

Feedlots



- Margins set to start to recover.
- Next slide shows the chart – yearlings are profitable and generally fed cattle lag behind.
- Some fed cattle already posting black-ink !
- BBQ season just around the corner.

Safe Guards

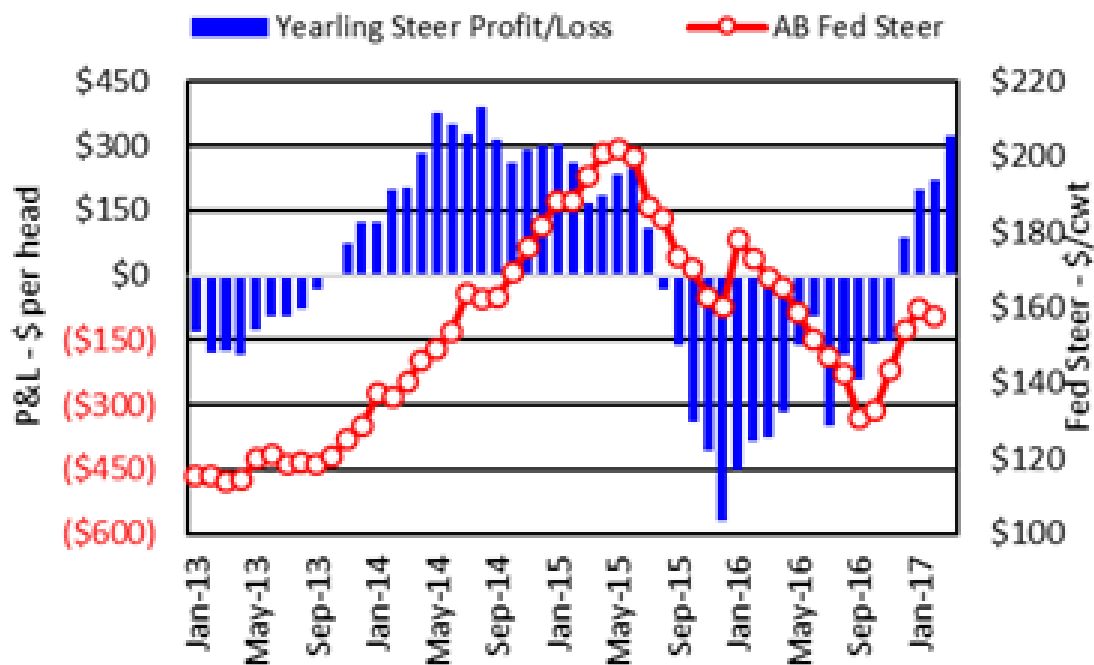
- Verify inventory and require manifests and/or proof of purchase or sale
- Verify AgriStability status and CPIP contracts
- Ensure lands properly captured in loan documents and registered at land titles
- Check risk management practices. Scrutinise business plans.

Industry Outlook 2017/18

Feedlots – a picture saves a thousand words...



Feedlot - Profit/Loss Margin
YEARLING STEER



Source: Canfax Trends

Industry Outlook 2017/18



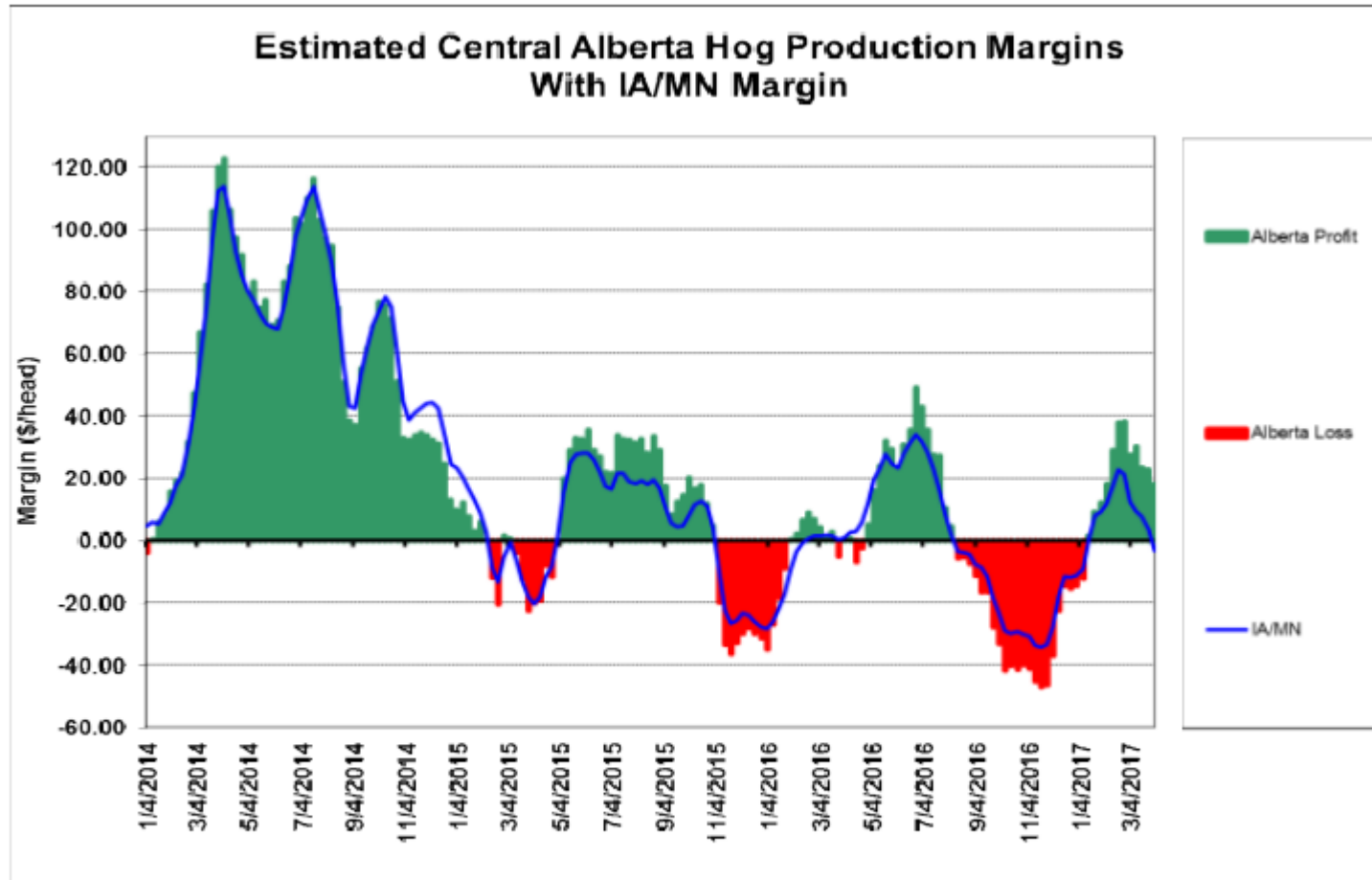
Hogs

- US swine still expanding (breeding herd up 1%, market herd up 4%). Canada similar but smaller.
- Unexpected rebound in Canadian margins in Fall of 2016.
- Packers gave up a lot of their margin – packers and producers both profitable.
- Weak \$Cdn helping.
- 2 new packing plants in US Midwest will keep packing margins tight and feeding margins strong.

Safe Guards

- *Perform walk-through on short notice and assess condition of herd and barn operations*
- *Verify proper registration on land and related farm equipment*
- *Verify AgriStability status.*

Industry Outlook 2017/18



Source: AAF

Industry Outlook 2017/18



Agri-Food (Food and Beverage Processing)

- The theme seems to be TRADE
- With CETA ratified Canadian companies actively studying and exploring the opportunities that this creates.
- Meanwhile the Trump-effect has Canadian companies:
 - Nervous about new NAFTA
 - Concerned about FSMA (food safety modernisation act) which has potential to impact smaller Canadian exporters.

US companies exploiting the low CDN \$ are prospecting for Canadian acquisitions that enhance their profits in Canada by sourcing there (and even re-crossing the border to supply stores in the US).

Safe Guards

Verify no CFIA warnings/proceedings, HACCP compliance

Verify no Food recalls and whether Enterprise Risk Program in-place to protect against same.

Industry Outlook 2017/18



Wineries

- Slow start to the season, maybe a week behind, opposite of 2016.
- CFTA doesn't impact but Supreme Court challenge to Provincial regulations might.
- Supermarket sales developing.
- Expecting another good tourist year (Trump effect) of direct sales and traffic.
- Land prices recovered almost to pre-recession levels

Safe Guards

- *Verify Inventory (and values in-use).*
- *Confirm terms of licence being met.*
- *Seek rolling 5 year plans/third-party input – primary downfall is cash and inventory management.*

Contacts

Farm Management Consulting

Jonathan Small, B.Sc., P. Ag. FEA

Direct: 403.356.1281 Cell: 403.352.3704

jonathan.small@mnp.ca

Corporate Recovery Services

Victor Kroeger, CPA, CA, CIRP, CFE

Direct: 403.298.8479 Cell: 403.870.1827

vic.kroeger@mnp.ca

Appendices – Our People

The MNP Advantage:

- Offices in strategic urban and rural locations from coast-to-coast
- Experience with 15,000 commercial and 300 Hutterite Colony farm clients
- Over 60 years service to agriculture has given us unparalleled and unrivalled access to the industry from the producer level all the way up to industry associations and government.

Nobody does it better.

Appendices – Our People

“Think Global, Act Local”

- Over 85 offices from coast-to-coast.
- Member of Praxity Global Alliance of Independent Firms giving us worldwide presence
- The only professional accounting firm with a dedicated Farm Management Consulting group
- We have specialists located in the areas necessary to meet the needs of our agricultural clients

Appendices – Our People

Over 600 professionals focused on the agriculture industry with niche specialities in:

- Farm Management
- Crops
- Livestock
- Farm income stabilization programs
 - AgriStability and AgriInvest
- Agriculture specific accounting & tax
- Food & Ag Processing
- Hutterite Colonies

Appendices – Our People

Farm Programs

Farm Programs are a complex and highly specialised service-line.

With several hundred file preparers preparing over 9,000 applications a year supported by 100 internally certified specialists; MNP is the only firm in Canada to:

- Take a full-service approach to Farm Programs.
- Develop a specialised team to maximise program-revenue for our clients.
- Prepare such a large volume of applications.

Appendices – Our People

Farm Programs

A Full-Service approach means that MNP does more than just complete the forms – we know what and how much we are applying for which means:

- We know when payments are wrong and when it is worth following up and/or appealing.
- We get what we claim 90% of the time.
- We have a robust track record of reviewing non-MNP prepared applications and collecting under-claimed amounts.
- Only firm in Canada with ability to analyse interaction between risk management programs enabling them to be truly used for risk management with our ARMP tool.

Appendices – Our People

- The 25 professionals in MNP's Farm Management Consulting group bring to bear a combination of on-the-farm experience and formal education
- Education and experience include:

Bachelors of Science in
Agriculture (B. Sc.)

Professional
Agrologists (P. Ag)

Certified Agricultural
Consultants (CAC)

Former and current
farm managers and
producers

Appendices – Our People

Within the Farm Management Consulting team we have niche professionals in:

- Crop production and marketing (dryland and irrigated)
- Intensive livestock production and marketing
- Supply managed (dairy and poultry)
- Commodity and food processing
- Exotics
- Greenhouse and Market Gardening
- Orchard Fruit

Appendices – Special Situations

Working closely with Corporate Recovery Services, the Farm Management Consulting team have assisted with the provision of:

- Initial assessment of a debtor
- Monitoring
- Restructuring
- Liquidation

Appendices – Special Situations

The Farm Management Consulting team has provided the following services to Corporate Recovery Engagements:

- Assisting with taking possession of farm operations
- Determining and executing strategies for ongoing operations
- Providing executive management of day-to-day farm operations
- Consulting on key decision points in farm operations
- Preparation of risk analysis and mitigation strategies
- Providing input into realization plans