

Farm Management Consulting

MNP Canadian Agriculture Industry Outlook 2018

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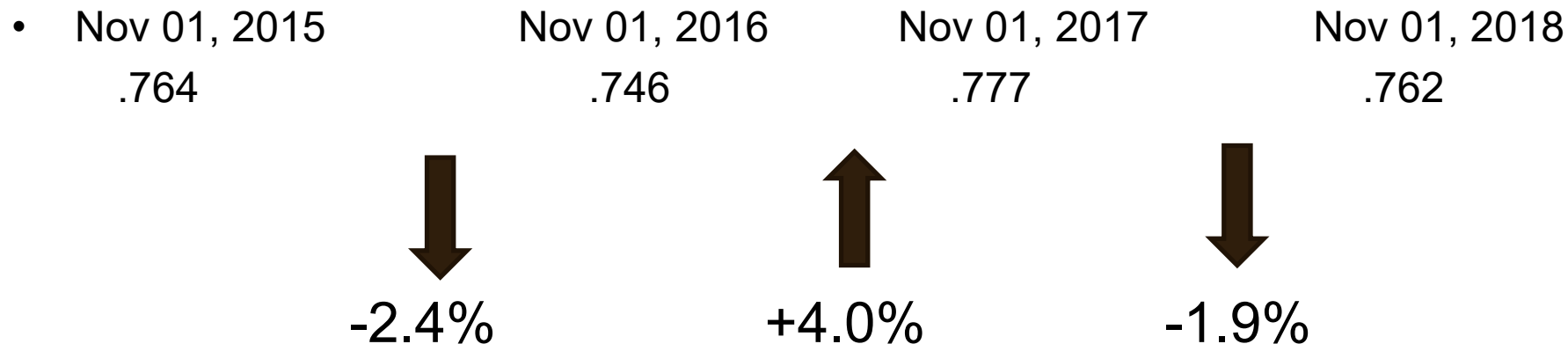
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The Market Fundamentals

- Supply Management
- Pricing Chain
- USA
- Supply - Demand
- Production
- Trade

Canadian Dollar



Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

- 11 country trade partnership
 - Japan, Malaysia, Vietnam, Singapore, Brunei, Australia, New Zealand, Canada, Mexico, Chile, and Peru
- 5 countries have ratified. Remaining countries are working towards ratification

CPTPP

Important for agriculture

- Pork
- Japanese tariffs of 20% will be eliminated on pork products
- Vietnamese tariffs of 27% will be eliminated on pork
- Tariffs in Japan and Vietnam will be greatly reduced on beef as well as offal
- Canadian dairy markets will open another 3.25% to Asia-Pacific trading group

USMCA

- The trade deal formerly known as NAFTA
 - Began formal talks in Aug 2017 final agreement reached on Sept 30, 2018
 - Now known as US – Mexico – Canada Agreement
 - Notable to ag:
 - Opening another 3.6% of the Canadian dairy market to the US, which is more than they asked for in TPP negotiations
 - Elimination of Class 6 and 7 milk
 - Skim milk powder, diafiltered milk
 - Further opening of Canadian chicken, egg, and turkey markets

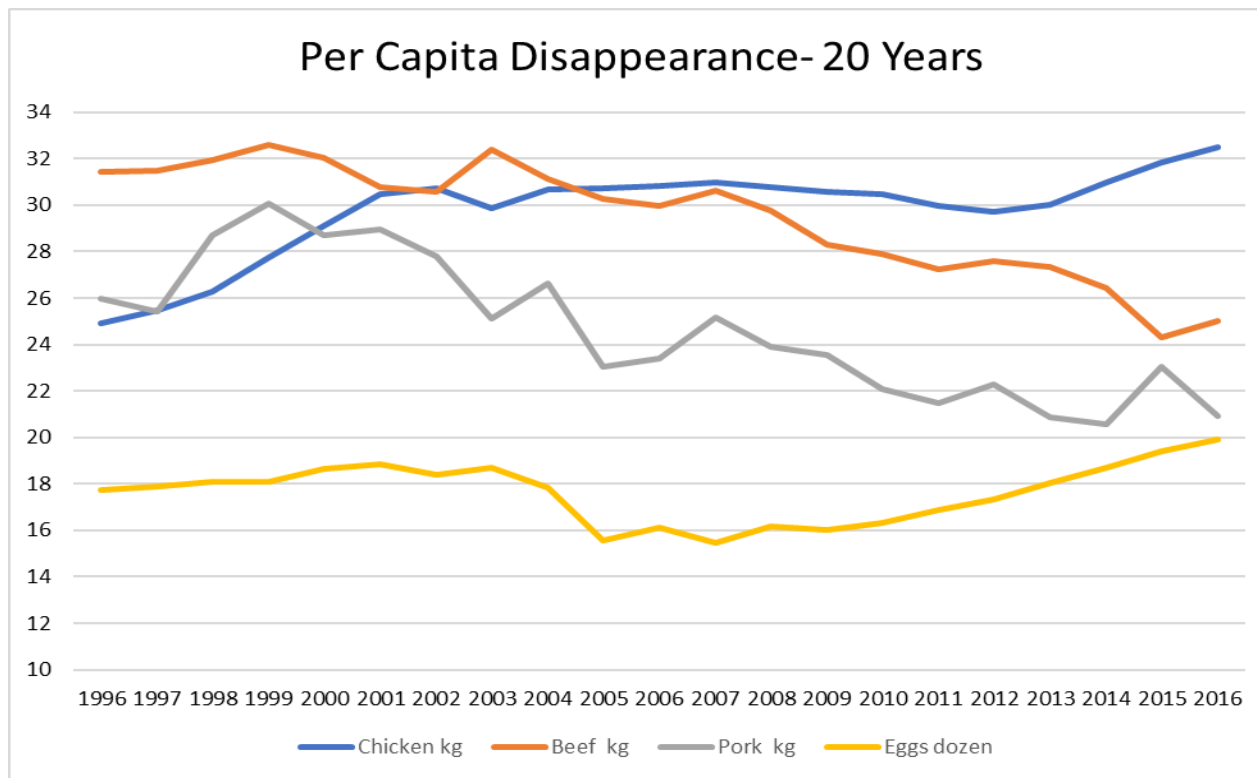
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Poultry

- Prices and consumption continue to improve.
- Outlook steady/good.
- Increasing consumer Demand
- USMCA

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Dairy

- Butterfat.
- New pricing formula continues.
- Quota Holdings Steady
- USMCA
 - Class 7 Milk.
 - World Market pricing
 - Tarrifs

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Crops

- Outlook fall pricing flat
- Seeded Acres
- Crop Conditions
- Trade

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Crops

- Wheat
- Canola
- Soybean
- Corn

Grain Production - Canada

- Stat's Can estimates (as of Aug 31- final report in Dec. 2018)
 - Second largest soybean production – 7.5 million tonnes
 - 2.6% decrease from 2017
 - Drought conditions
 - Second largest canola production – 21 million tonnes
 - 1.5% decrease from 2017
 - Increase in harvested area but drought
 - Higher wheat production – 31 million tonnes
 - 3.3% increase over 2017
 - Increased acres

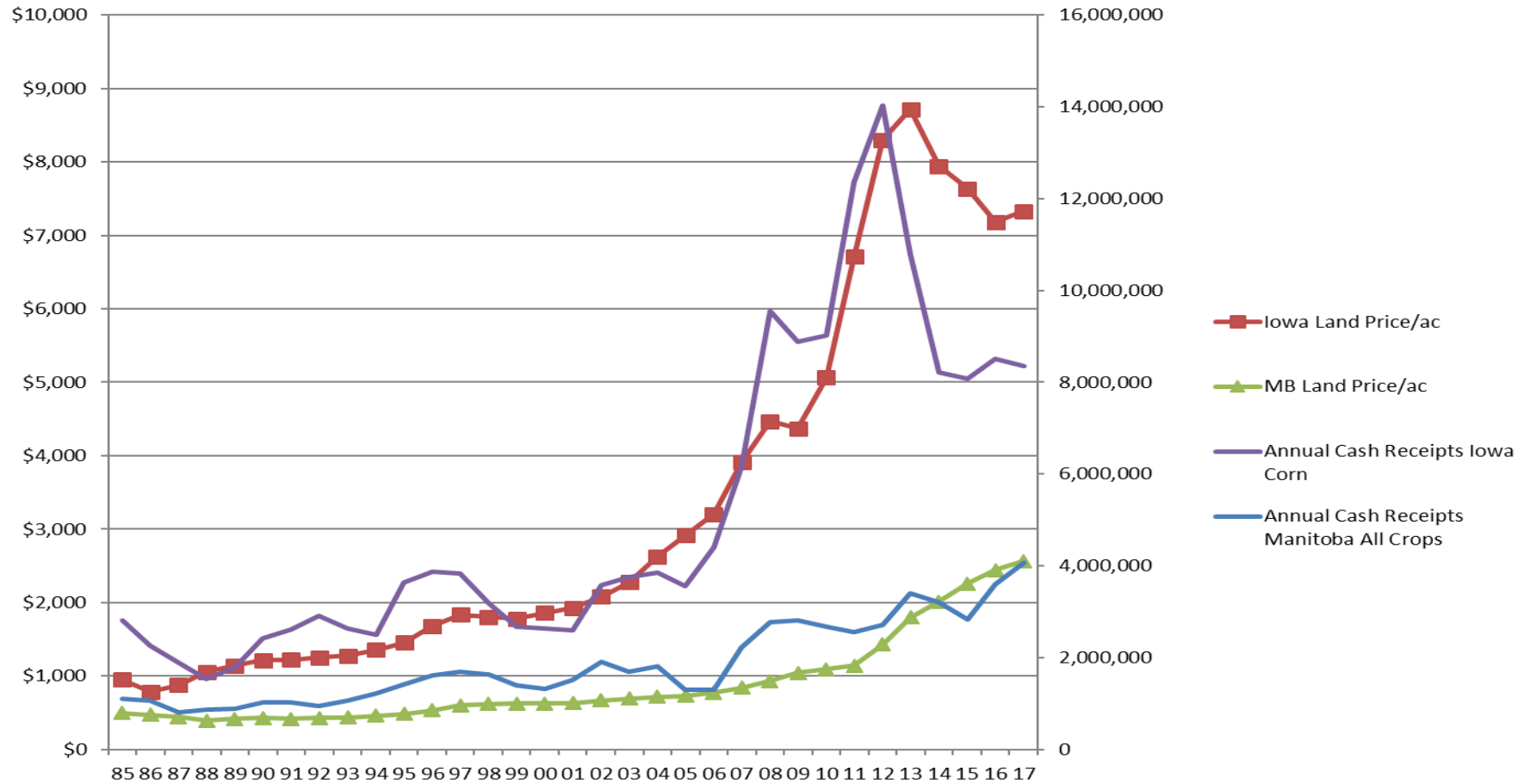


Seeded Acreage 2018

	2018	2017	% Change YOY	('Million Acres)
Corn	88.026	90.167	-2%	-2.141
All Wheat	47.339	46.012	3%	1.327
Soybean	88.982	90.142	-1%	-1.16

Projected Canada	
Acres	2018
All Wheat	23,498,000
Soybeans	7,413,000
Corn	3,644,001

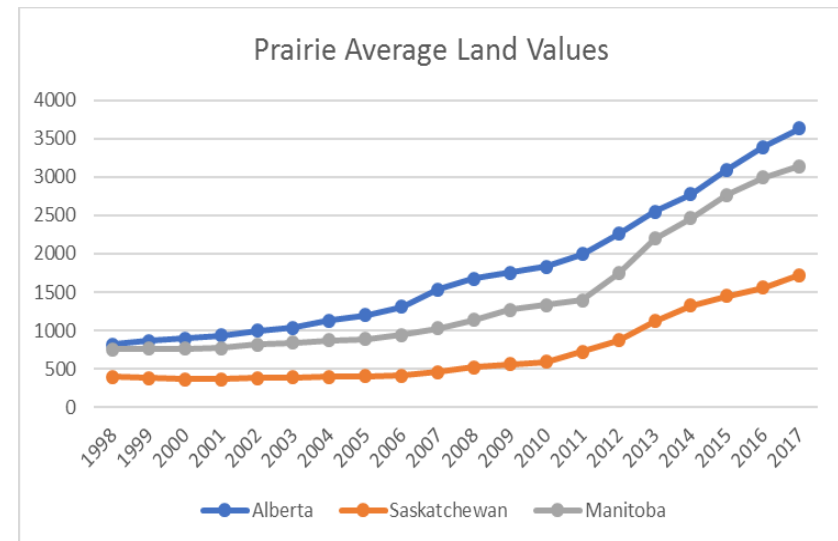
Ag Outlook Presentation



Land

Prairies

- Increased for the 16th year
- AB and MB growth slower than 2016
- SK growth faster than 2016
- 2017 average for Canada is 8.4%



Source: Farm Credit Canada

Farm Equipment

- Higher machinery purchases
 - 2WD farm tractors up 8.2% YOY

- 4WD farm tractors up 13.1% YOY

- Combine sales up 23.4% YOY



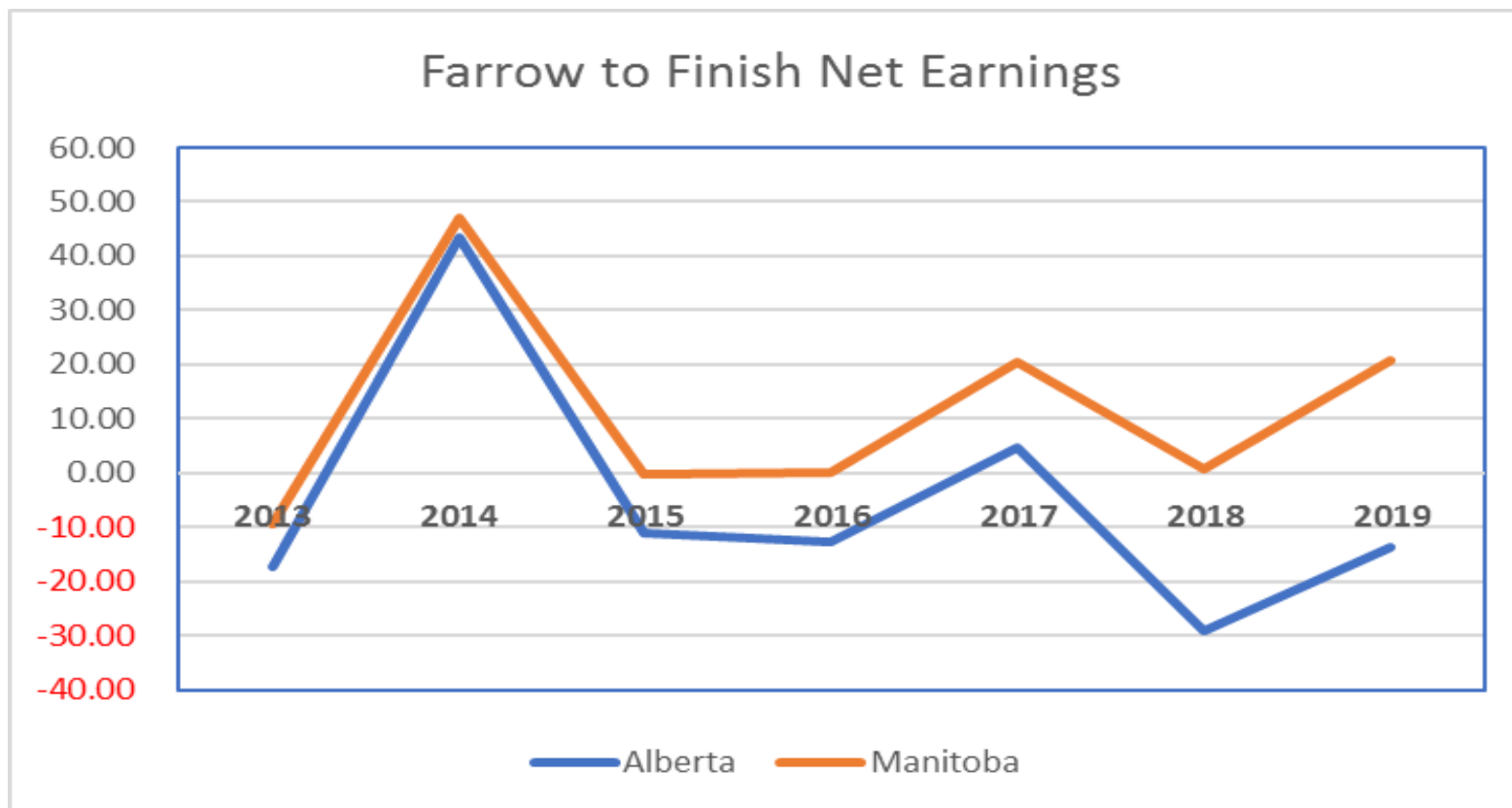
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Hogs

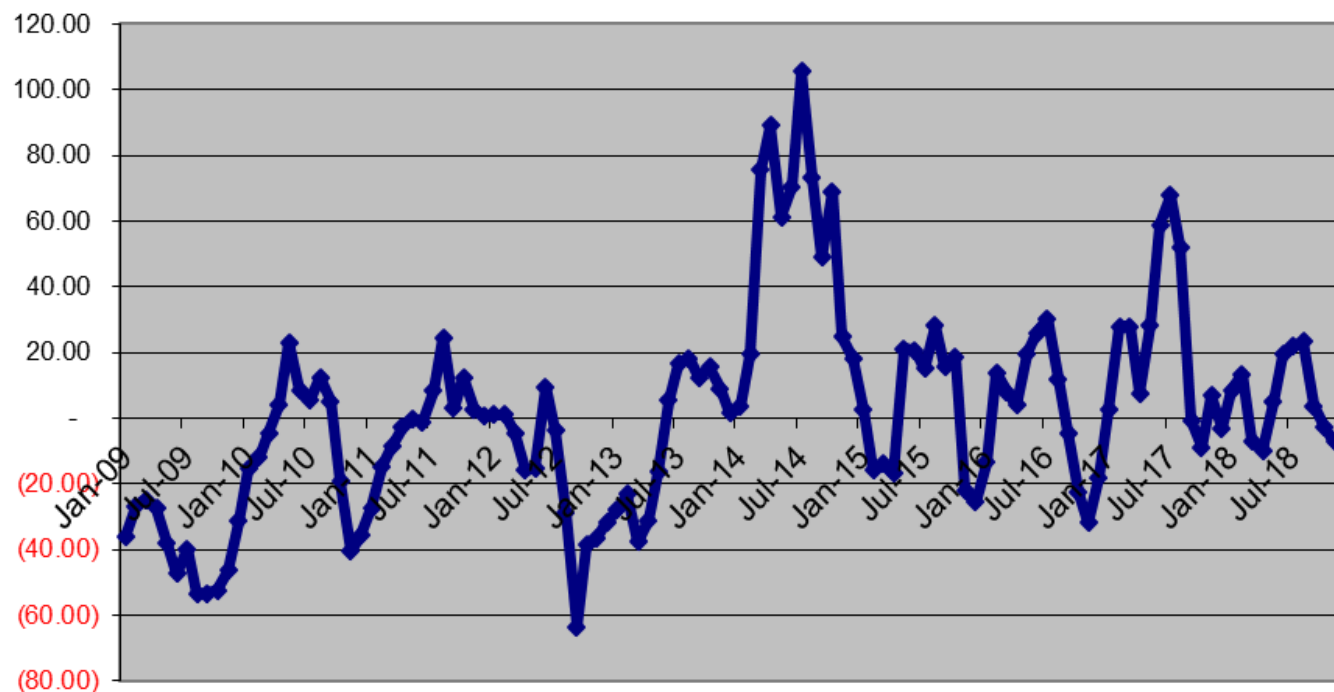
- Projected Profitable Year
- Feed little higher
- Big Supplies
- Trade
- US Exports
- Asian Swine Flu

Hog Production



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Canadian Swine COP Profit Margin Comparison



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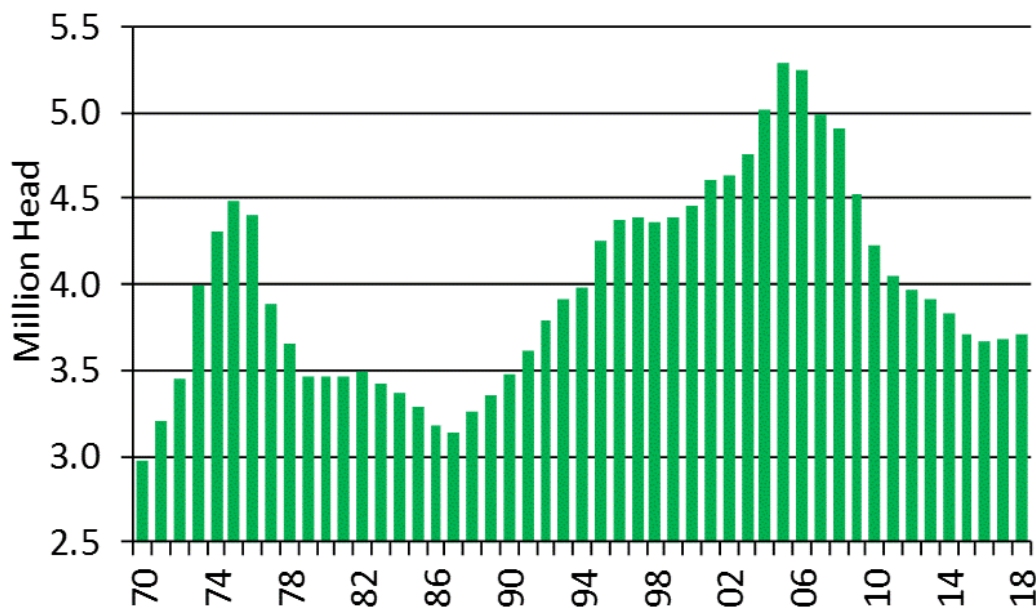
Cow/Calf

- US herd rebuild and growing
- Slight growth in Canada
- Herd growth to plateau in 12 to 18 months
- Lower future fed prices and higher feed costs have diminished outlook for fall calf prices.
- Modest profit margins

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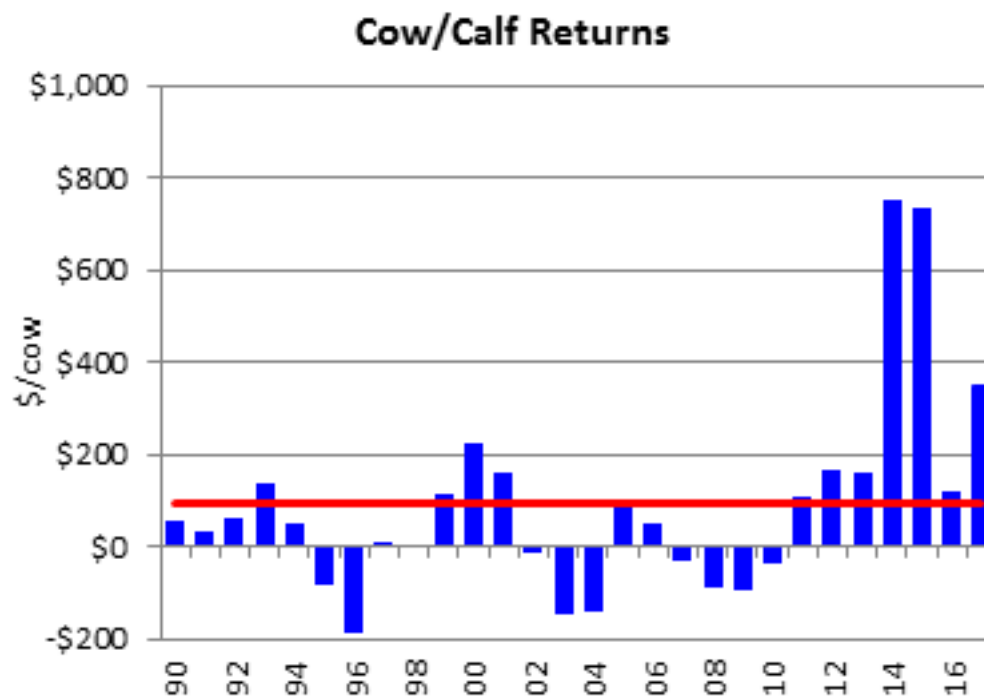
**Canadian Beef Cow Numbers
January 1**



Source: Statistics Canada

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Cow/Calf – a picture saves a thousand words



Source: Canfax Research

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Feedlots

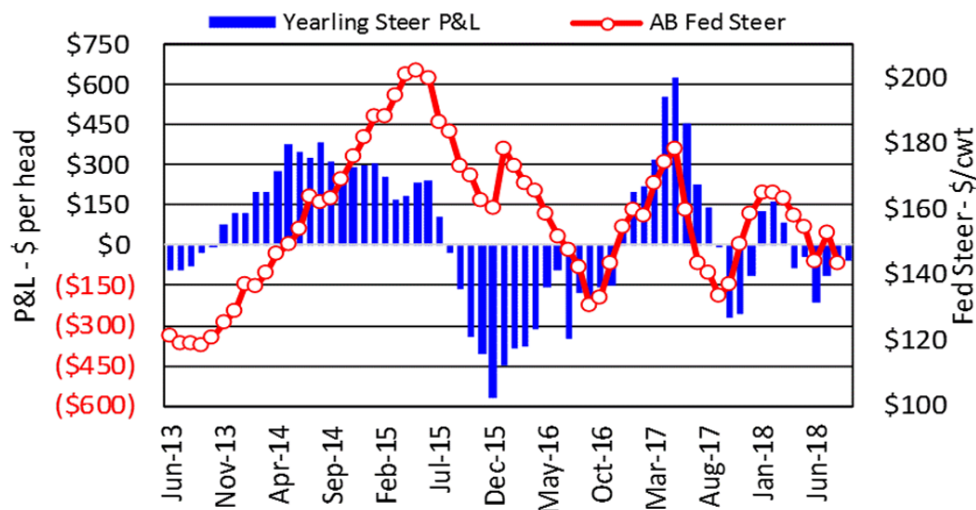
- 2018 to set beef production records
- Softening fed prices
- Higher feed prices
- Squeezing profit margins
- Demand has been the key to stabilizing the market
- Can demand continue to support growing supplies?

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Feedlots – a picture saves a thousand words...



**Feedlot - Profit/Loss Margin
YEARLING STEER**



Source: Canfax Trends

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Wineries

- Comeau Case
- Consolidation activity expected to continue
- Industry continues to expand & receive global recognition
- USMCA
- Land Prices

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Marijuana

- Profit Margins
- Commoditization
- Joint Ventures with Food and Beverage

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Food and Beverage

- Health and Wellness
- Country of Origin
- Foreign Exchange

Contacts

Farm Management Consulting

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Appendices – Our People

The MNP Advantage:

- Offices in strategic urban and rural locations from coast-to-coast
- Experience with 18,000 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 backed up 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