



Farm Management Consulting



MNP Canadian Agriculture Industry Outlook 2017/18



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

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Industry Outlook 2017/18



Crops

- Outlook good/steady for old crop
- Canadian harvest surprisingly good given 2017 moisture. Yields & grades generally good.
- Canola big crop but good outlook.
- Wheat more bearish.
- Plentiful Corn & Soybeans to keep a lid on rallies.

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



- Quest for more butterfat.
- New pricing formula introduced.
- WMP prices trending lower (down 7% in 12 months) and are now close to P5 (which is down 3%).
- Price drops offset by substantial increases in sellable quota and incentive days.
- NAFTA
- CETA DFIP

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 continues to apply pressure (welfare, antibiotics etc)
- NAFTA 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



Cow/Calf

- Cattle cycle at consolidation/early expansion phase.
- US herd rebuilding but not in Canada.
- Calf prices are good – producers doing well right now.
- Big fall-run (lower feed supplies & higher prices).
- Some feedlots must be getting pretty full.
- Outlook good/steady

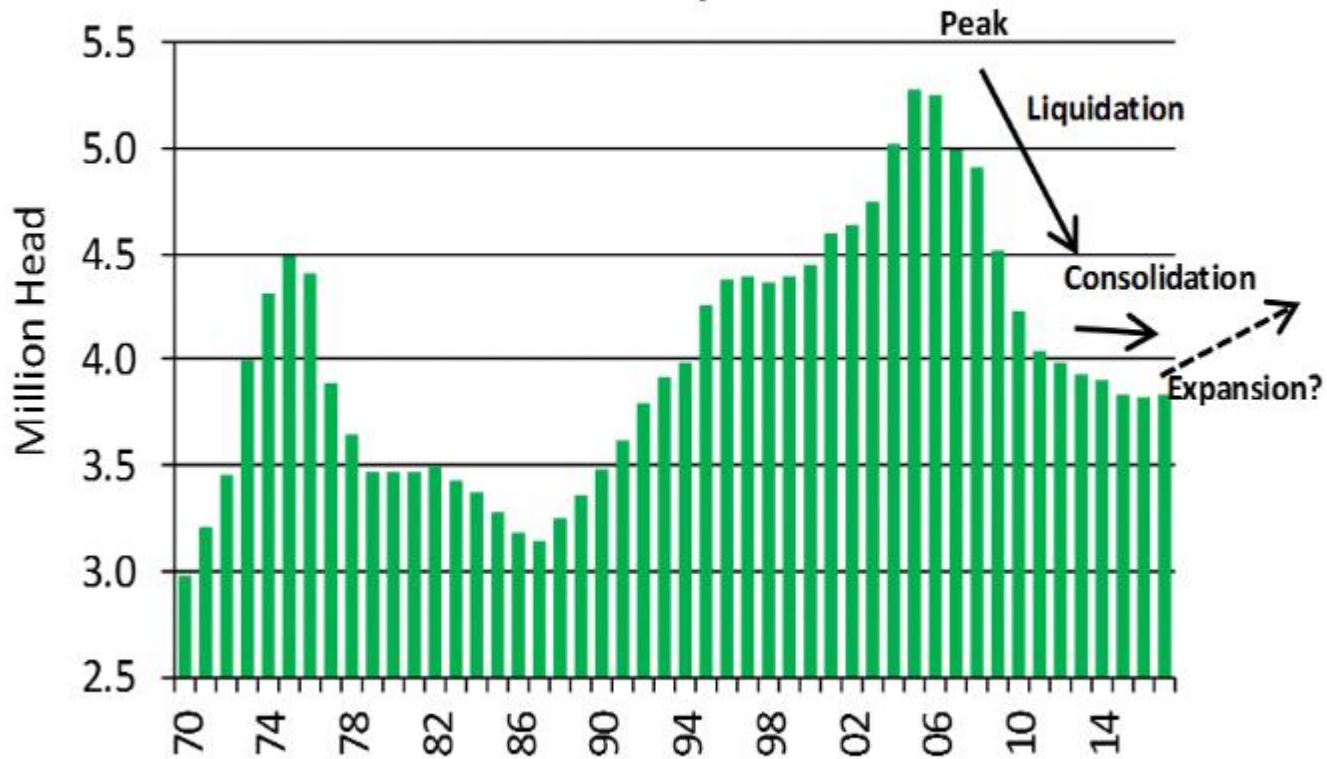
Safe Guards

- 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



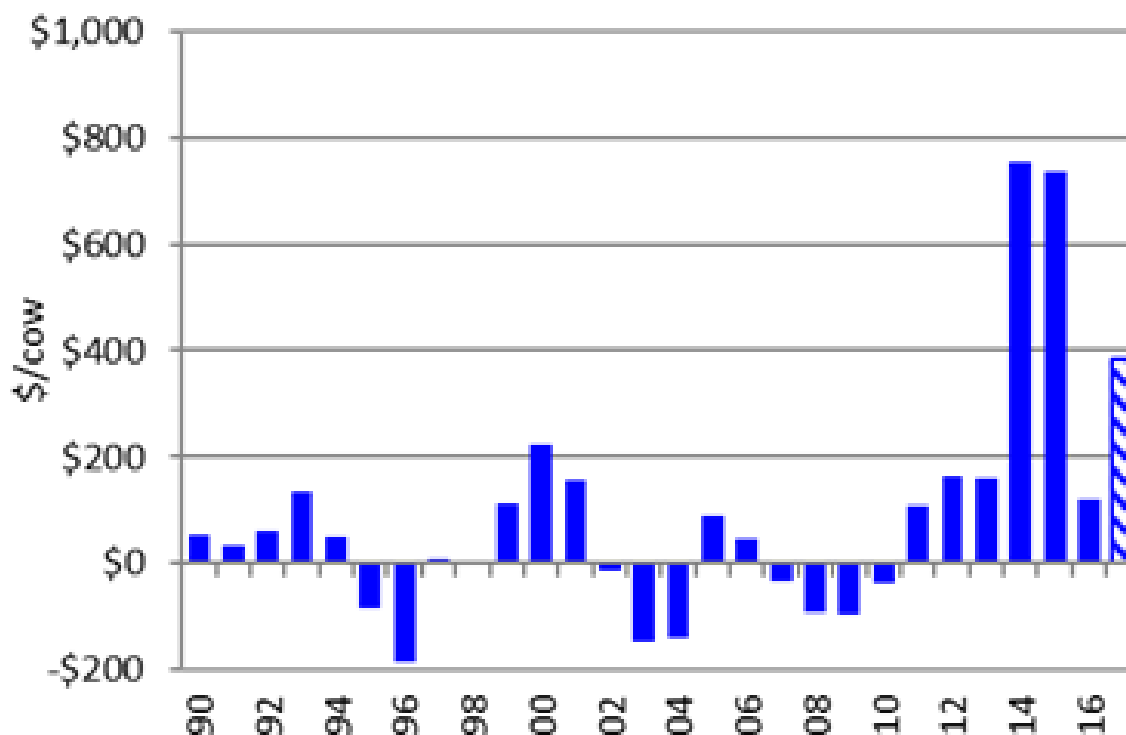
Source: Statistics Canada

Industry Outlook 2017/18

Cow/Calf – a picture saves a thousand words



Alberta Cow/Calf Returns



Source: Canfax Research

Industry Outlook 2017/18



Feedlots

- In Sept fed margins under pressure – hard to pencil profits on feeders of any sort.
- Recent market upswing has brought fed cattle into breakeven territory/small profits. Momentum favourable.
- But feeder prices at 140% of fed prices (which is high) indicating high market risk for cattle feeders.
- Outlook: Fair to cautious

Safe Guards

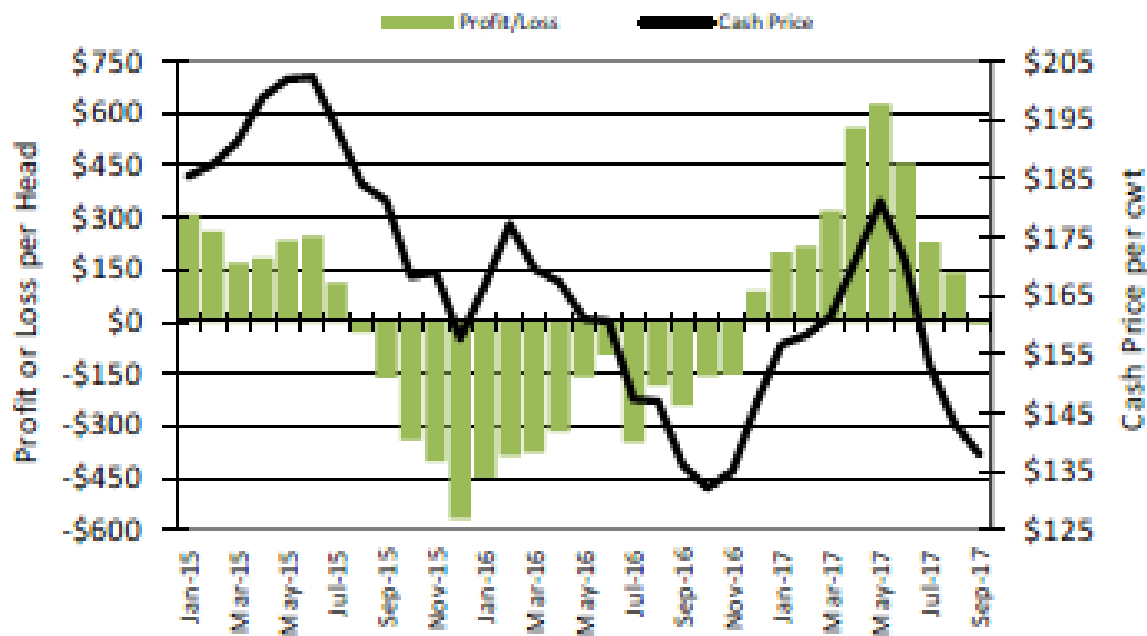
- Verify inventory and require manifests and/or proof of purchase or sale
- Verify AgriStability status and CPIP contracts
- Ensure lands properly captured in loan documents and registered at land titles
- Check risk management practices. Scrutinise business plans.

Industry Outlook 2017/18

Feedlots – a picture saves a thousand words...



Yearling Steer Profit/Loss vs Cash Price



Industry Outlook 2017/18



Hogs

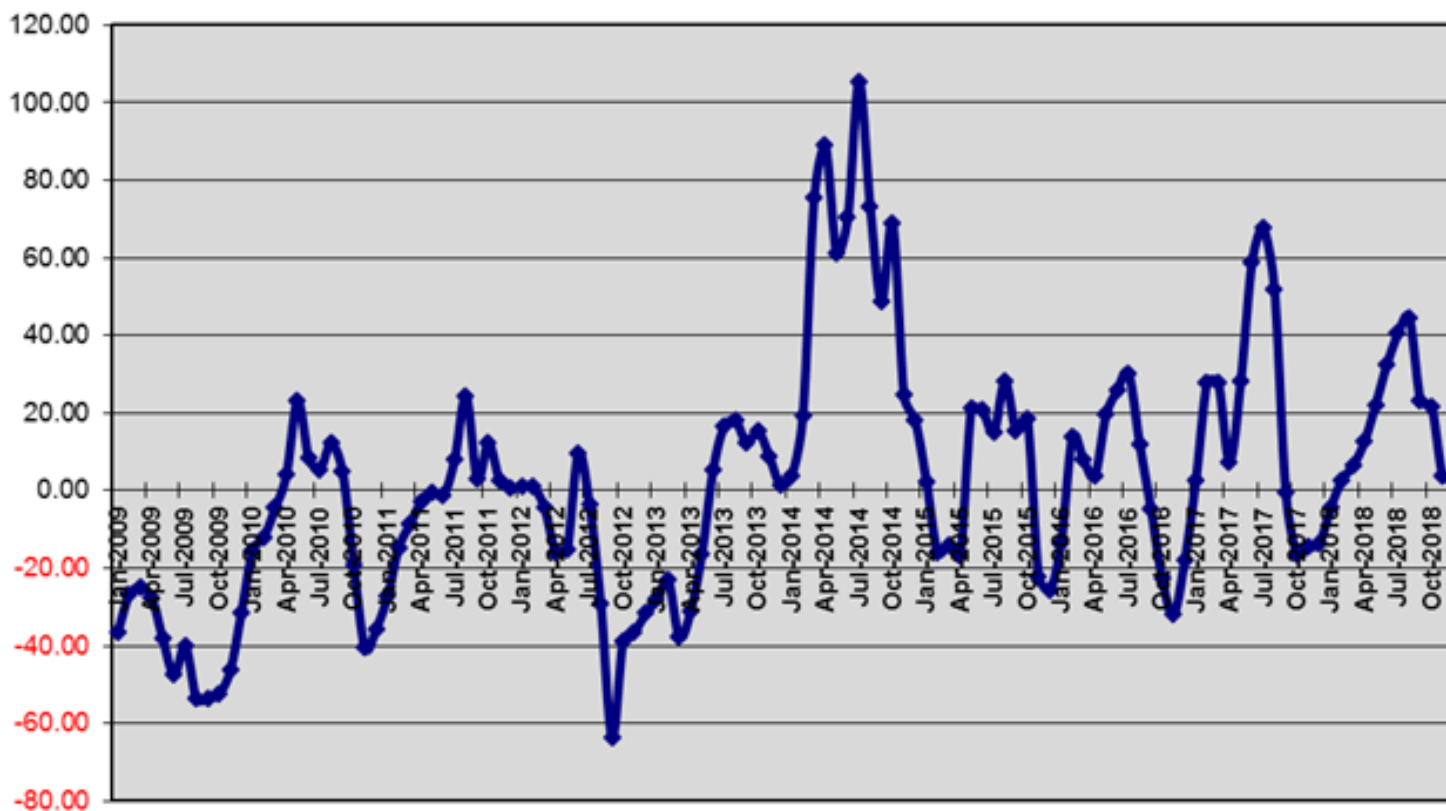
- US swine still growing & consolidating (record high levels) – productivity & capacity.
- Canada production growing too but well behind the US and mostly productivity gains.
- New plants in US as predicted are boosting prices and they are still building up to single shifts. Packers have room to bid up.
- NAFTA X Mexico risk

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

Canadian Swine COP Profit Margin Comparison



Industry Outlook 2017/18



Agri-Food (Food and Beverage Processing)

- The outlook (despite concerns below) is still good. Growth is still good.
- Canadian companies nervous about new NAFTA
- Exporters anxious about TPP11 and Canadian stance and attempts to renegotiate market access agreed under TPP12
- According to AAFC Food & Beverage is Canada's largest manufacturing sector (16.4% of all manufacturing and 17.3% of its jobs).
- Cannabis and its products set to become a new growth sector in this niche (\$8 billion market in Canada)
- Trends – retail food prices have barely moved in last 15 months but restaurant prices increased at double RPI.

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

- US Wildfires & Euro-drought – Canada is worlds 6th biggest wine importer.
- NAFTA (and US challenge on BC wine-only in BC wine stores).
- Plenty of M&A activity (Peller Estates for example).
- Land prices trending up – Chinese buyers fuelling this (Jiping Bai).
- Comeau Supreme Court case in Dec.

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 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