



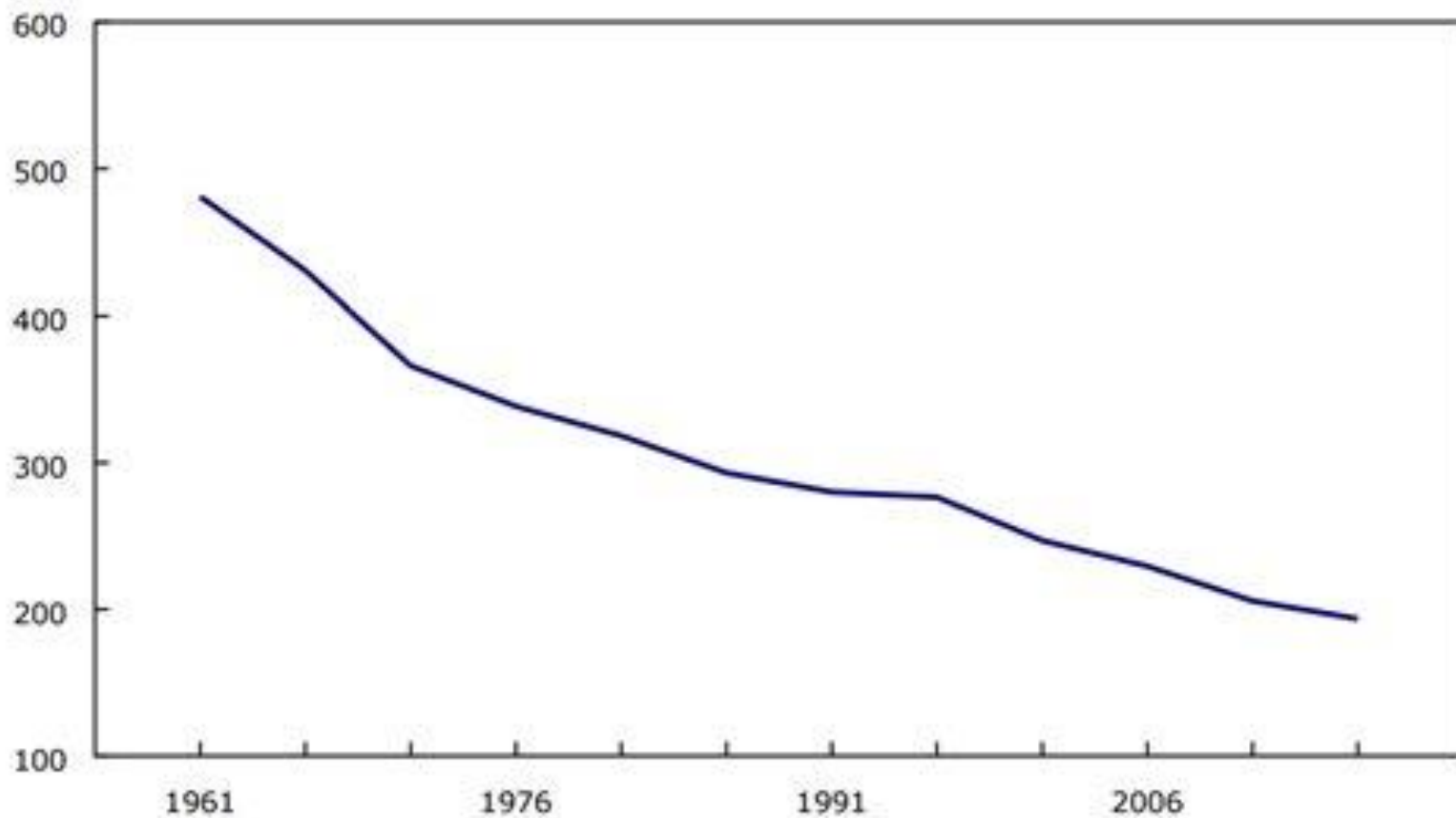
GLOBAL
AG RISK SOLUTIONS

Plan,
Survive,
Thrive!

Chart 1

Total number of agricultural operations, Canada, 1961 to 2016

number of operations (thousands)



Source(s): CANSIM tables [004-0002](#) and [004-0204](#).

What are the big economic risks in farming now?

Commodity Prices

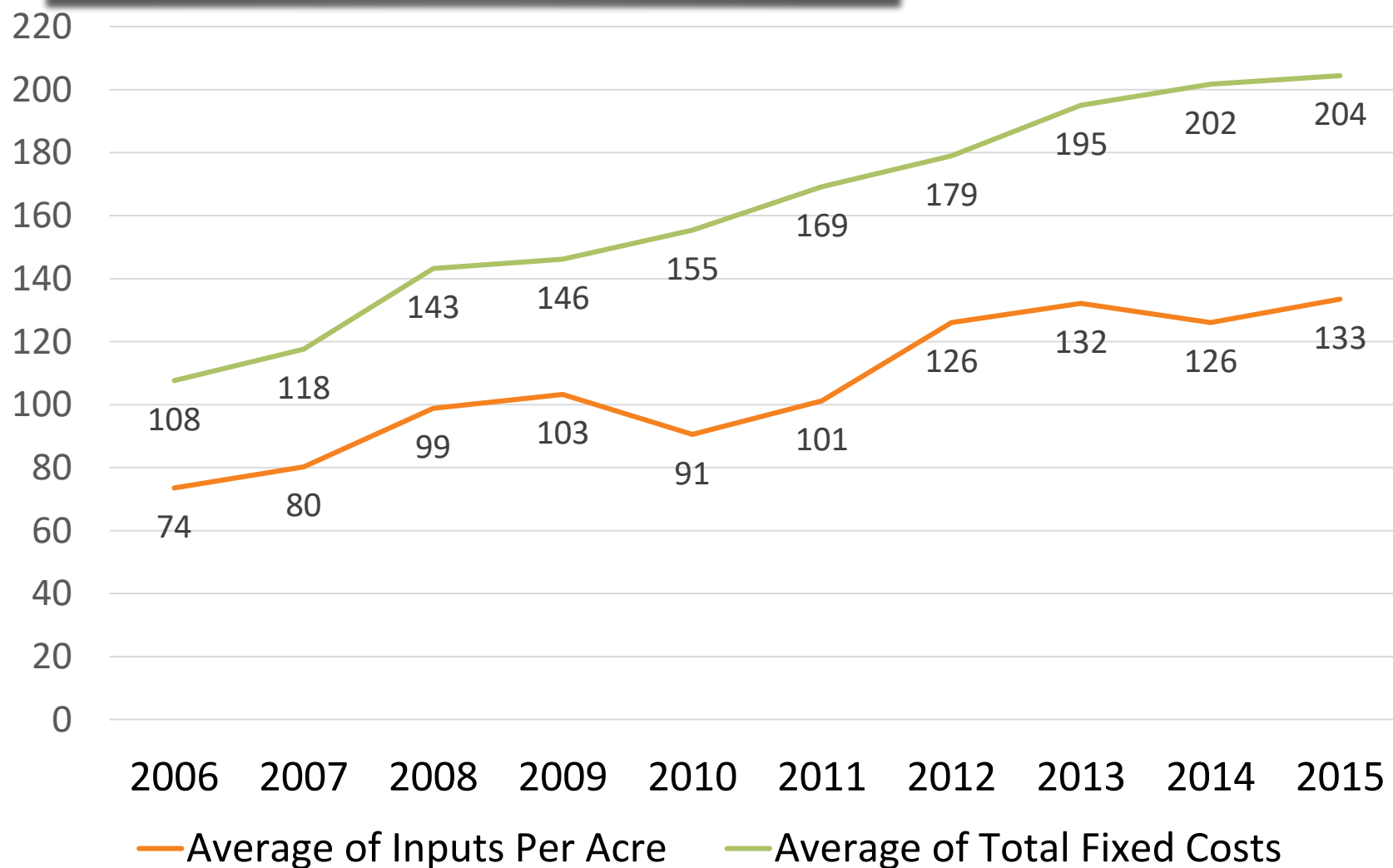
Yield Variability

Quality Issue

Increases in costs

Can you survive a if one or more of these issues affect your business?

Rise in production costs



New Reality

- Interest rates
 - Rising
 - Debt levels
- Bank Policy
 - Tightening (Esp operating)
- Living expenses...
 - Expectations
 - Reversible?

Benchmarks 2011-2015 – Gross Margin Average vs Top 25% vs Bottom 25%

	Average Revenue	Average Inputs	Average Gross Margin	Average Labour Power & Machinery	Average Land Building & Finance	Average Net Net Income
Average	\$341	\$123	\$218	\$147	\$45	\$25

Top 25% Based on Gross Margin - Averaged >\$257 Gross Margin
Bottom 25% Based on Gross Margin - Average <\$170 Gross Margin

The 7 farm business management practices driving farm financial success:



1. Continual, lifelong learning
2. Business decisions made using accurate financial data
3. Seek the help of business advisors/consultants
4. Have a written business plan, follow it, review it annually
5. Know, monitor your cost of production and what it means for your profits
6. Assess risks and have a plan to manage and mitigate risk
7. Use a budget and financial plan to monitor financial position and options



Know your #s!

Revenue (A)

Yield x Price

Variable Inputs (B)

Seed

Fertilizer

Chemicals

Gross Margin (A-B=C)

Fixed Cost

Labour Power Machinery (LPM)

Land Building and Finance (LBF)

Total Fixed Costs (D)

Net Income (C-D)

Farm Financial Statements 101

What It Takes To Grow The Crop

What It Takes To Get The Job Done

What It Takes To Be There

Net Profit

Managing Risk

- How much can you afford to lose?
- How do you offset the risk on the rest?
- Strategies
 - Marketing
 - Purchasing inputs at optimal times
 - Good insurance
 - Know what's going on!
 - Good partnerships
 - Fixed cost control

Building Resiliency

- **Competitive Edge**
 - Adapt quicker
- **Strategic Planning**
 - How can we be ready for what's coming vs. what's happening now?
- **Analysis**
 - Deeper understanding of our own operations
 - Time away from “Doing” and time spent “Planning”
- **Learning**
 - Time spent growing expertise

Building Resiliency

- Work towards growing your GM / ac so that you are sufficiently profitable to weather storms
 - Net Income / Gross income = >20%
- Working Capital Strength
 - Working Capital/Expense Ratio >30%
 - Can take advantages of opportunities when they come up
- Expenses covered in case of a downturn
 - Have a strategy
 - Know your costs/expenses so you can accurately plan ahead

Succession Plan

- And Lastly: Have a great succession plan!

> MERLE