



YOUR AGRO-BUSINESS SOLUTION

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- Business Plan
- Financing Research
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- Executive Coaching
- Business Transfer
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...and much more

Until Debts Do Us Part



PHOTO: STANLEIGH HISTORICAL SOCIETY

Built in 1957, Wood's Snack Bar, a landmark in Ayer's Cliff, was demolished last November to make place for a much improved building. The reconstruction decision was strongly encouraged by the very real value of the intangible assets of its loyal clientele.



**Robert Savage, Agronome,
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In the mid-1980s, Peter, John and Ray Dennison took over the family farm business. The transfer went smoothly and the new owners even signed a shareholder agreement, which included a detailed inventory of the assets of the farm along with a market value balance sheet. Almost two decades later, Ray began to feel the need to go solo and establish his own farm business. However, he soon discovered that, even though the farm was now worth ten times its original value, the owners had neglected to update the balance sheet. This meant that his share had remained frozen in time, at \$100,000 instead of \$1 million! Oops!

Amazingly, this unfortunate situation is common among incorporated farm businesses. Updating a business balance sheet often remains a pious wish.

Why bother with more paperwork when there is plenty enough as it is? When, however, an unexpected death occurs, or when disagreements arise among business partners, family members or spouses, emotions can prove to be a major obstacle to agreement on topics such as the total value of the business that is about to be divided.

The avoidance of unpleasant and sometimes life-changing surprises is definitely one aspect of being in business. Ideally, the evaluation of your farm business should be done initially by qualified professionals specialized in the determination of farm assets. To do so, you could appeal to a chartered appraiser or to a mix of agronomes, rural engineers, accountants and farm equipment dealers, among others. Once this is completed, yearly updates can be done by the farm owners themselves. If partners do not agree on certain aspects of the evaluation, outside help may be required. However, if the partners are involved in serious arguments with respect to numerous aspects of the farm business, they ought to seriously question the health of the status of their relationship.

Your banker is someone who also might become very interested in knowing the value of your farm. If you have an investment project requiring a new loan, the banker will, among other criteria, base his/her approval on an up-to-date balance sheet. If, for example, a dairy quota, one of the easiest assets to liquidate, was worth \$33,000 in 2007, two

years later, thanks to the ceiling price, the value of that same quota would have been reduced to \$25,000. For a 200 kg dairy farm, that represents an equity loss of \$1.6 million! Needless to say, your banker will take note of such details.

On the other hand, if your custom work revenues have steadily increased over the years and you have succeeded in building up a solid clientele, you have to evaluate, apart from the machinery and equipment, the resale price of your patrons' loyalty, commonly called goodwill. When, in November 2009, Wood's Snack Bar, an eatery in Ayer's Cliff that had, over the years, become an institution was demolished to make place for a brand new restaurant, everyone agreed that the famous building was worth no more than an order of fries. However, its clientele, anxiously waiting for their favourite summer dining place to rise from the ruins, was the real incentive for reconstruction.

Regarding the Dennison farm business, fortunately for Ray, his brothers agreed to update and signed the revised balance sheet prior to Ray's departure, thus ensuring him of sufficient funds to start his own farm business. Their cooperation with their brother meant that Grandma Dennison still has the pleasure of gathering all her family together each Christmas Eve, and is completely unaware that it could have been otherwise.

Coming next month: For sale: Profitable farm business with no succession

Whether you intend to sell or buy a farm business, the adventure should not be based upon intuition or impulse alone. First of all, you should be clear about your goals. You may sell for less, and find yourself having a good business partner, thus maintaining your farm. You may, on the other hand, get your asking price, sell the business outright, and spend the rest of your winters in Florida! The choice may be tougher than it seems.

Having worked for over 16 years for various organizations—including

the Caisse populaire Desjardins, the Office du crédit agricole du Québec and Farm Credit Canada—Robert Savage, founder of Solutions affaires experts-conseils, has established an innovated approach to farm consulting services. With the help of a multidisciplinary team of experts, Solutions affaires experts-conseils can get your farm on its way to greater profitability by working with your existing resources and having access to a network of professionals involved in agri-business.

NEWS RELEASE

NOTICE TO AGRICULTURAL PRODUCERS

UPA membership fees

The *Union des producteurs agricoles* has begun its operation of collecting the agricultural producers' annual membership fees.

In accordance with the Union's 2005 - 2010 financing plan, which was adopted by its General Congress, the individual fees remain unchanged for 2010 at \$270. The fees are used to finance a portion of the organization's union activities and are distributed as follows:

Local syndicate:	9.01 %
Regional federation:	41.46 %
Confederation:	49.53 %
	100.00 %

The 5% GST and the 7.5 % QST must be added to this amount. **Eligible producers may reclaim these taxes from the Minister of Revenue.**

For dairy farmers, the fee collection will begin on the mid-February pay and they will be informed through the magazine *«Le producteur de lait québécois»*. Other producers will receive notice through the mail in the near future.

Jean Blache
Director of Administrative Services



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