



YOUR AGRO-BUSINESS SOLUTION

www.solutionsaffaires.ca 819.849.0644 accueil@solutionsaffaires.ca

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To be or not to be incorporated? That is the question!



Robert Savage,
Agronome, MBA
CEO
Solutions affaires
experts-conseils

The four Jeanson brothers learned, the hard way, the significance of being in a partnership instead of being incorporated. They did so when they realized that, with his apparently insignificant two per cent of the shares of their business, their father could control their farm business decisions by simply refusing to sign any documents.

Their accountant might also have recommended that, since profits were little to none, that they should put aside any thoughts of incorporation. It is true that if no profits are being

reinvested in the business, there is no fiscal advantage to be gained by becoming incorporated. However, incorporation is much more than just a fiscal strategy.

A firewall between you and your business

The fact that forming a partnership is not a costly procedure might also explain its popularity. Being inexpensive, however, might conceal a penny-wise economy. In a partnership arrangement, all participants are personally liable to their farm business. If the financial situation of the Jeanson farm were to deteriorate, even with his apparently insignificant two per cent of the shares, the father could witness all his personal assets being lost, along with those of the farm business. In such a situation, had the farm been incorporated, Mr. Jeanson's personal assets would have been shielded from the farm's creditors.

For peace of mind

One of the best aspects of incorporation is that it allows for the establishment of well-defined rules of the game. The Jeansons seemed to be sailing on a glassy sea until the youngest brother decided to withdraw from the family business. At

that point they were hit, head-on, by stormy waters. Whether you are involved in a family or a non-family business relationship, no one can predict what the future will bring. The only thing that is certain, is that internal and/or external events will

Einstein milks cows

Most farm owners are great inventors. They just don't realize it. Whether, for instance, you improve a piece of equipment or discover a new process that reduces the use of pesticides, you are a researcher, and as such

considered to be an entity on its own. You will also be required to produce an up-to-date minute book, which lists all the major decisions taken by the shareholders. Fortunately, this annual task can be assumed by your accountant or your notary.

To incorporate or not to incorporate?

After all is said and done, the decision to incorporate or not remains your choice. Feel free, however, to consult various experts who will give you their opinions based on their professional points of view. As you have no doubt realized, incorporation is a multifaceted solution to numerous situations.

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 by having access to a network of professionals involved in agri-business.

THE JEANSONS SEEMED TO BE SAILING ON A GLASSY SEA UNTIL THE YOUNGEST BROTHER DECIDED TO WITHDRAW FROM THE FAMILY BUSINESS.

eventually strike. Incorporation, involving a detailed shareholder agreement based on a solid fiscal strategy, provides the best personal protection and peace of mind in a farm business.

"Prevention is better than cure"

—Desiderius Erasmus

If your farm business involves dealing directly with consumers, for example if you operate a processing business such as a small-scale cheese factory, or if you provide neighbouring farms with custom work, such as fertilizer spreading or animal transportation, you might want to seriously consider having such activities incorporated in order to protect both your farm business and yourself against potential legal proceedings.

you are admissible for a cash refund and/or tax credits from a research and development (R&D) program. This could entitle you to receive up to both 65 per cent of your manpower fees, and 35 per cent of your material expenses. The red tape involved in the application for and recovery of such reimbursements can be very extensive and time-consuming. Fortunately, professional resources can assume that task on your behalf. Your farm business, however, has to be incorporated in order to be admissible for this refund.

About the cons

It is no secret that incorporation will generate non-recurring expenses, as well as annual fees, such as the filing of income tax returns. This is because an incorporated farm businesses is

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Enrolment deadline:

April 1, 2010, for the
production of apples
April 30, 2010,
for other productions