



What's driving change in agriculture and the impact on financial risks

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Why focus on financial risks?



- Changing structure of agriculture
- Financing is an important component of farming and processing operations
- Design of farm programs

Market drivers in agriculture

The background of the slide features a low-angle photograph of four large, cylindrical agricultural silos. The silos are arranged in a row, receding into the distance. They have a metallic, slightly weathered appearance with visible rivets and ladders. The sky above is a clear, bright blue with some light, wispy clouds. The overall composition is vertical, emphasizing the height of the structures.

- **Economic / population growth in emerging markets**
- **Consumer food preferences**
- **Trade**

Growth abroad scenario

Economic /population growth



Westernization of food preferences



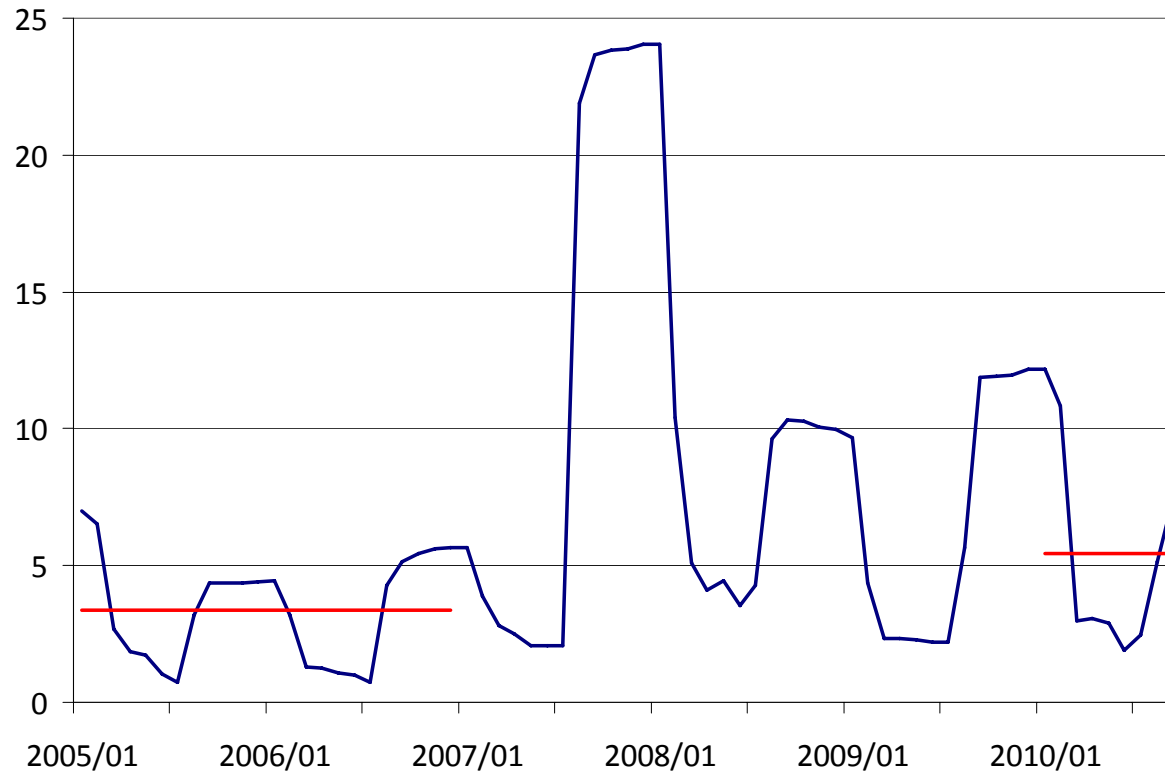
Supply shocks yield more volatility



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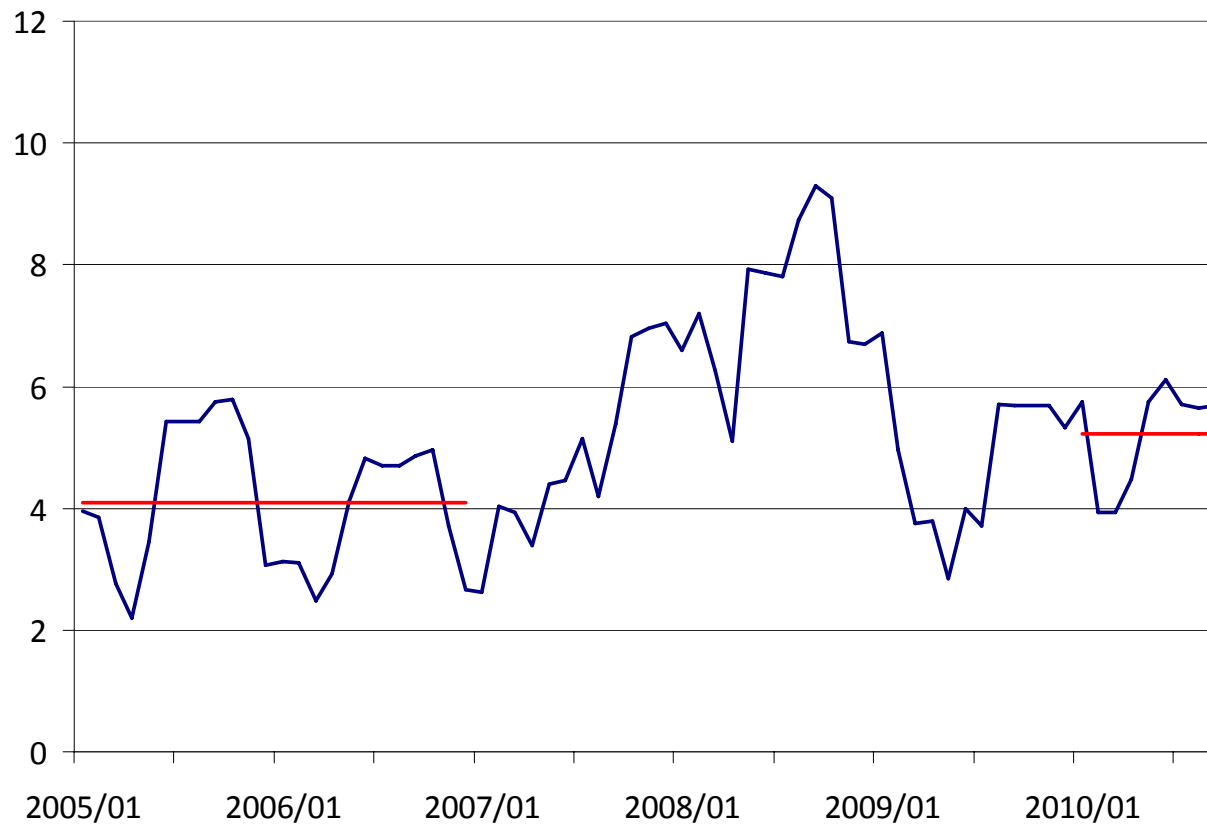
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Volatility in nominal grain prices



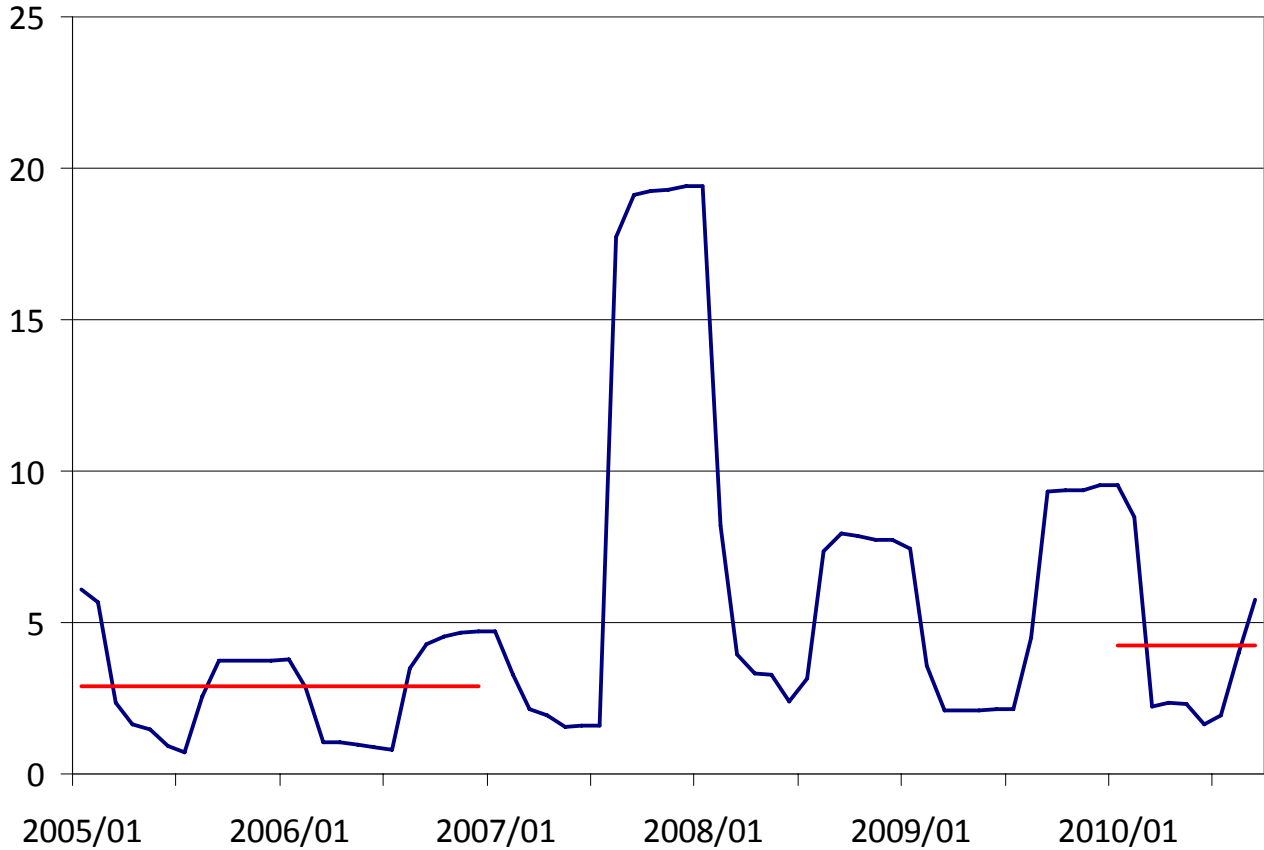
Source: Statistics Canada

Volatility in nominal hog prices



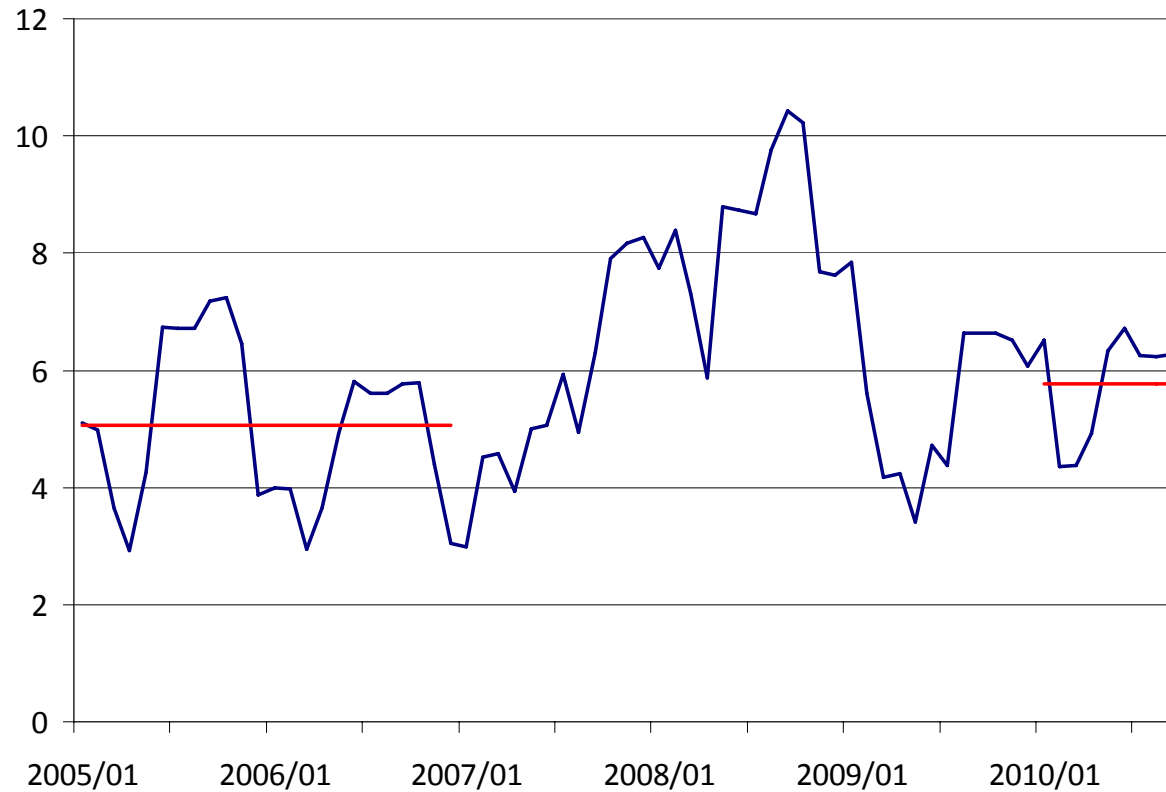
Source: Statistics Canada, compiled by FCC

Volatility in real grain prices



Source: Statistics Canada, compiled by FCC

Volatility in real hog prices



Source: Statistics Canada, compiled by FCC

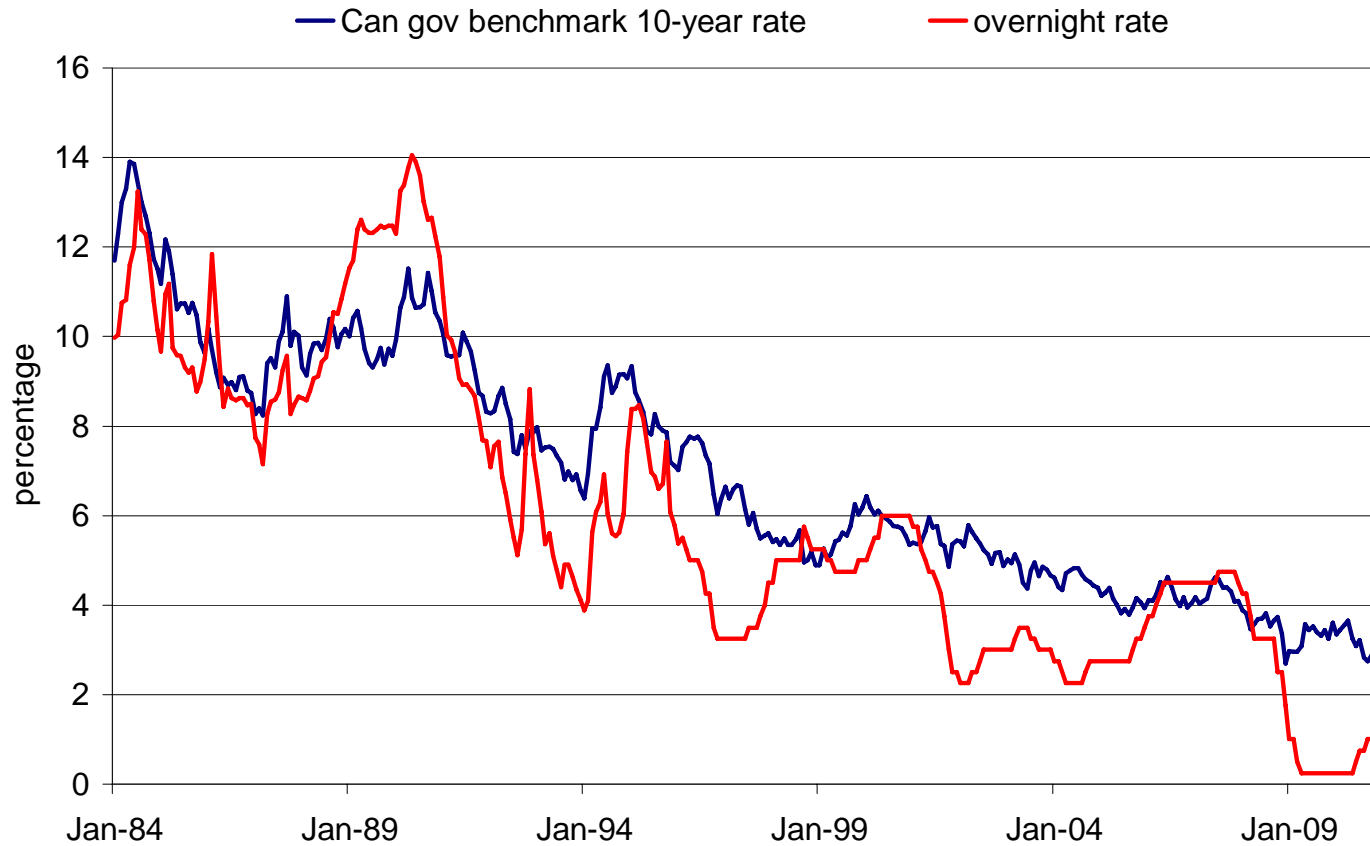
Domestic growth scenario

“Below-normal” growth levels/ public debt

Inflation threat

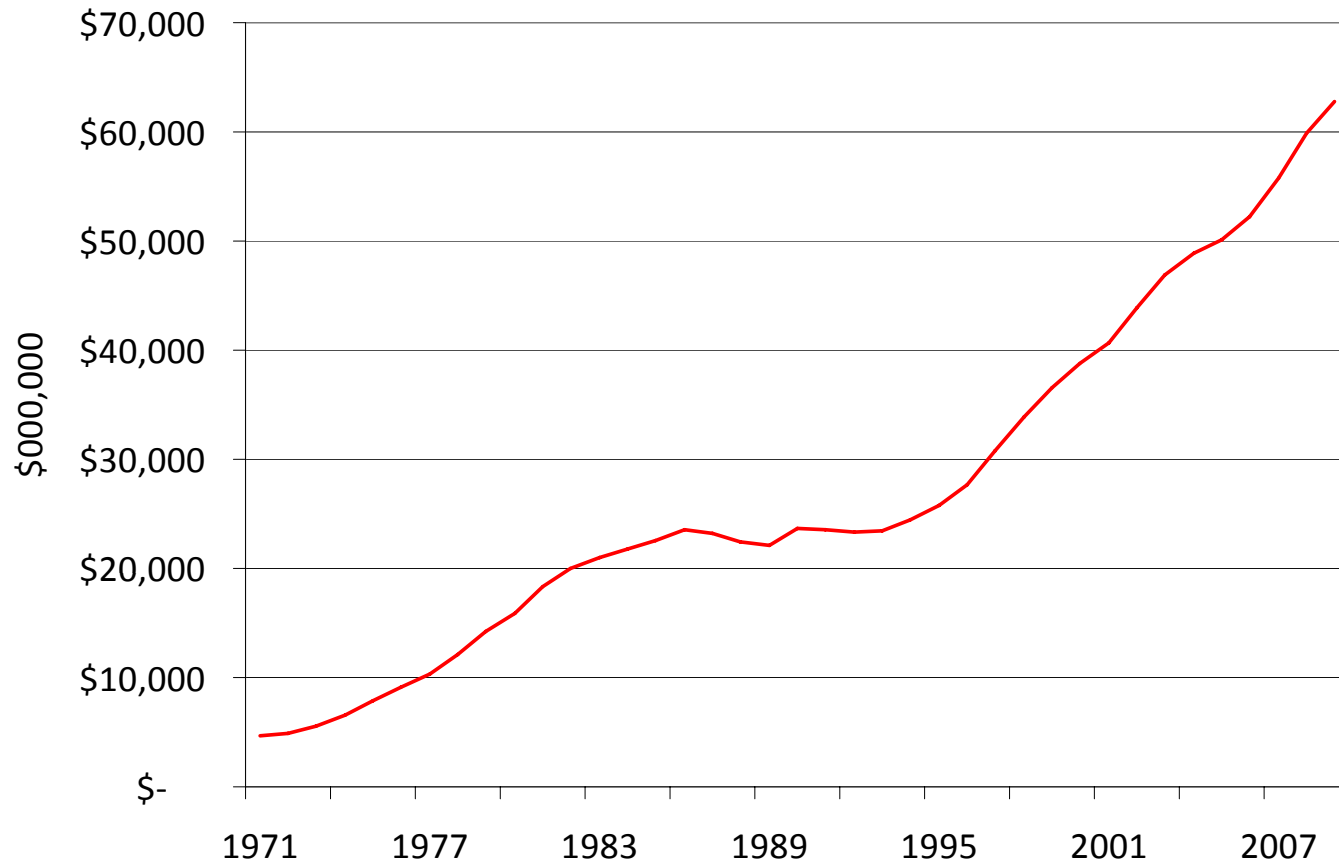
Upward pressures on interest rates

Interest rates in Canada



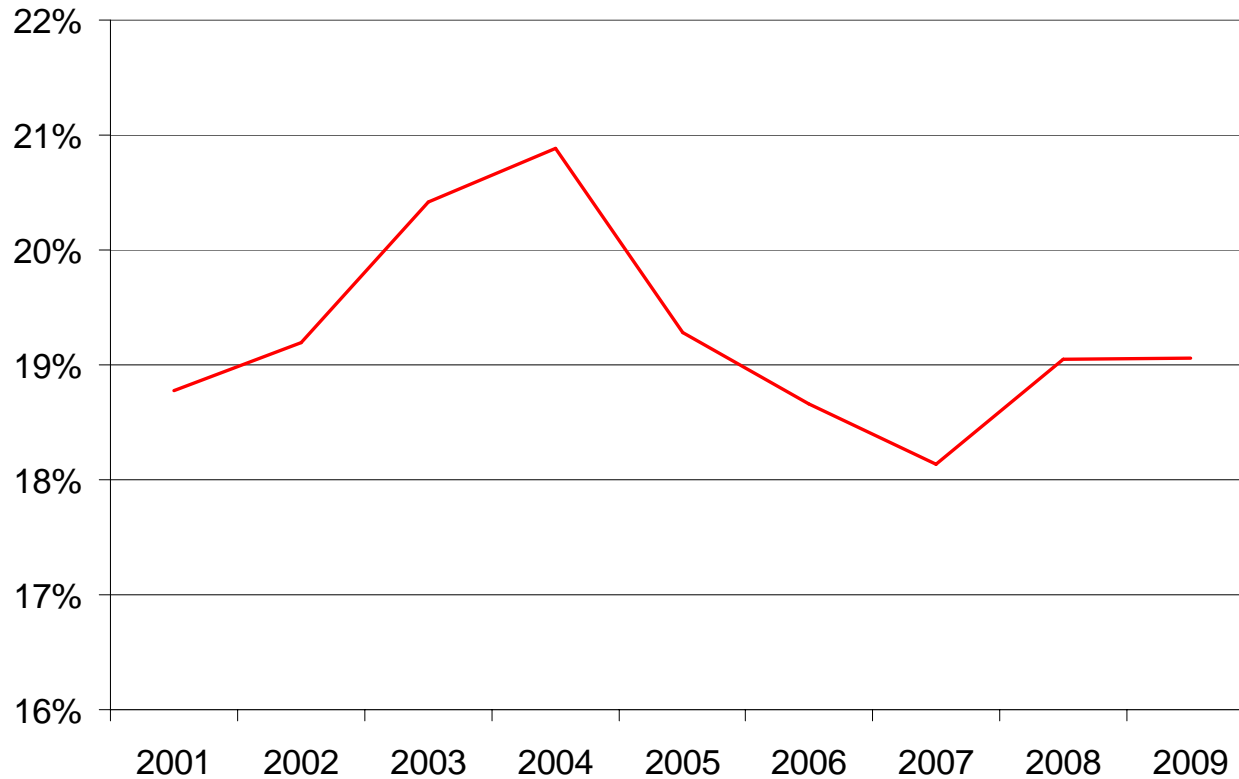
Source: Bank of Canada

Canadian farm debt



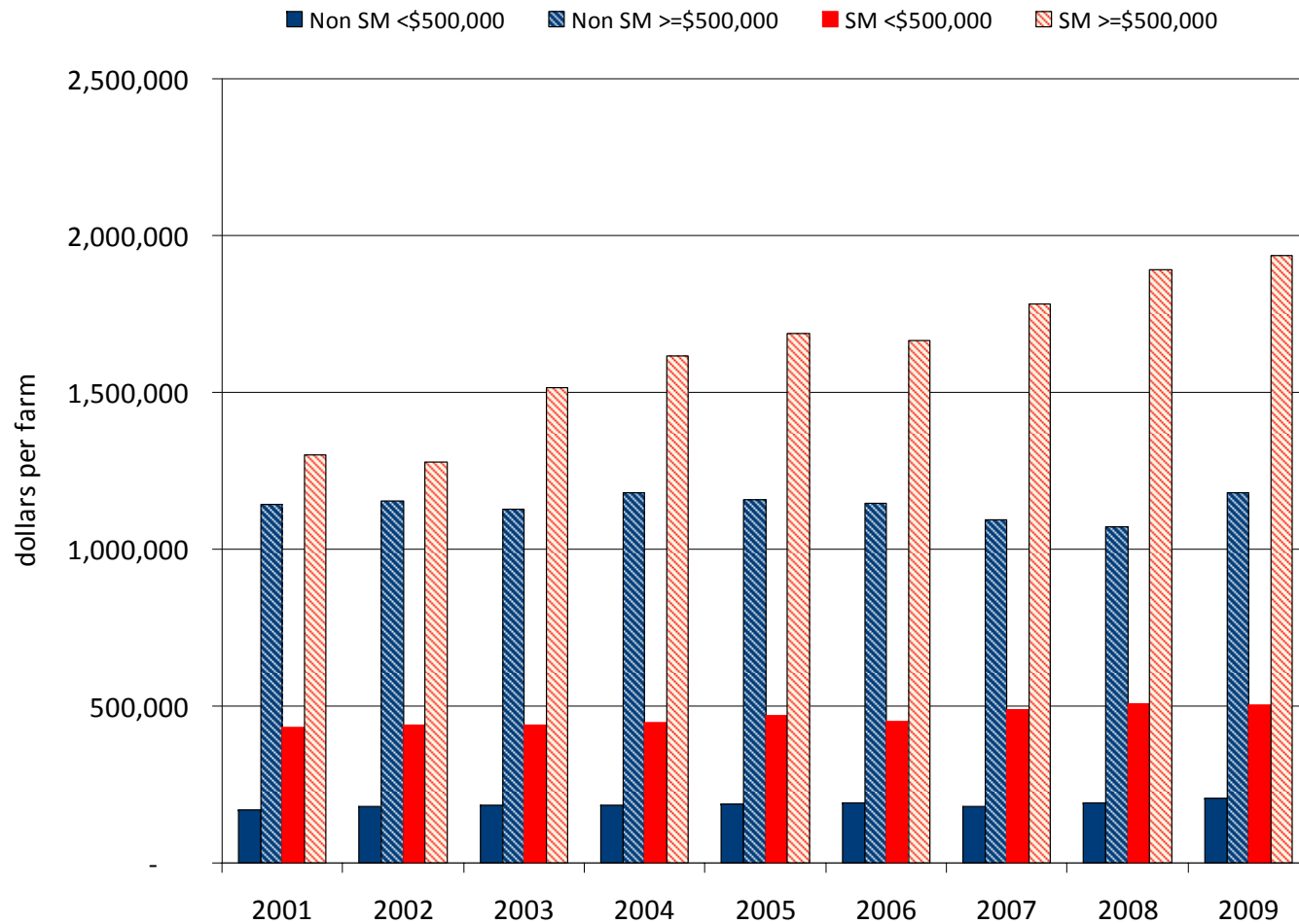
Source: Statistics Canada

Debt to asset ratio



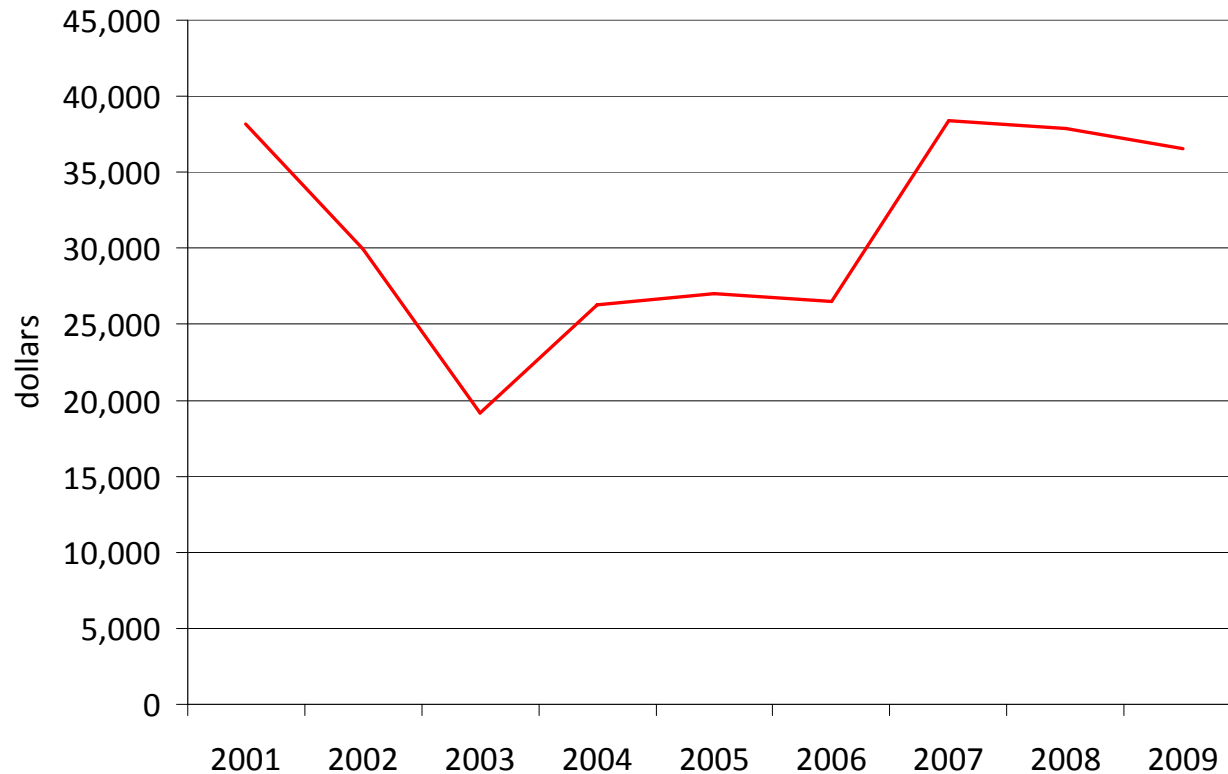
Source: Statistics Canada

Total per farm liabilities based on revenue class for supply and non-supply managed enterprises (adjusted for inflation)



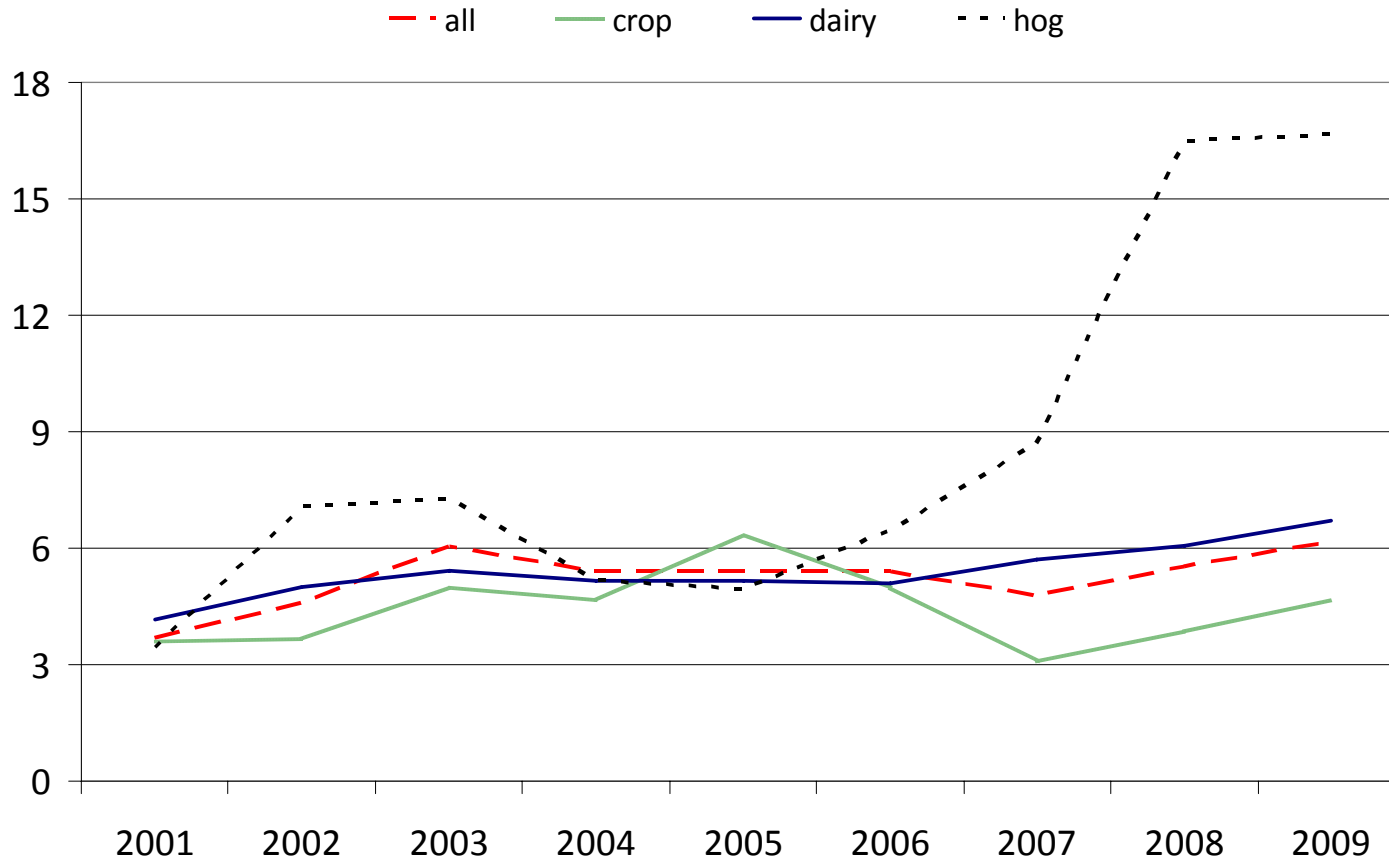
Source: Statistics Canada / Farm Financial Database

Average net cash income before interest and program payments



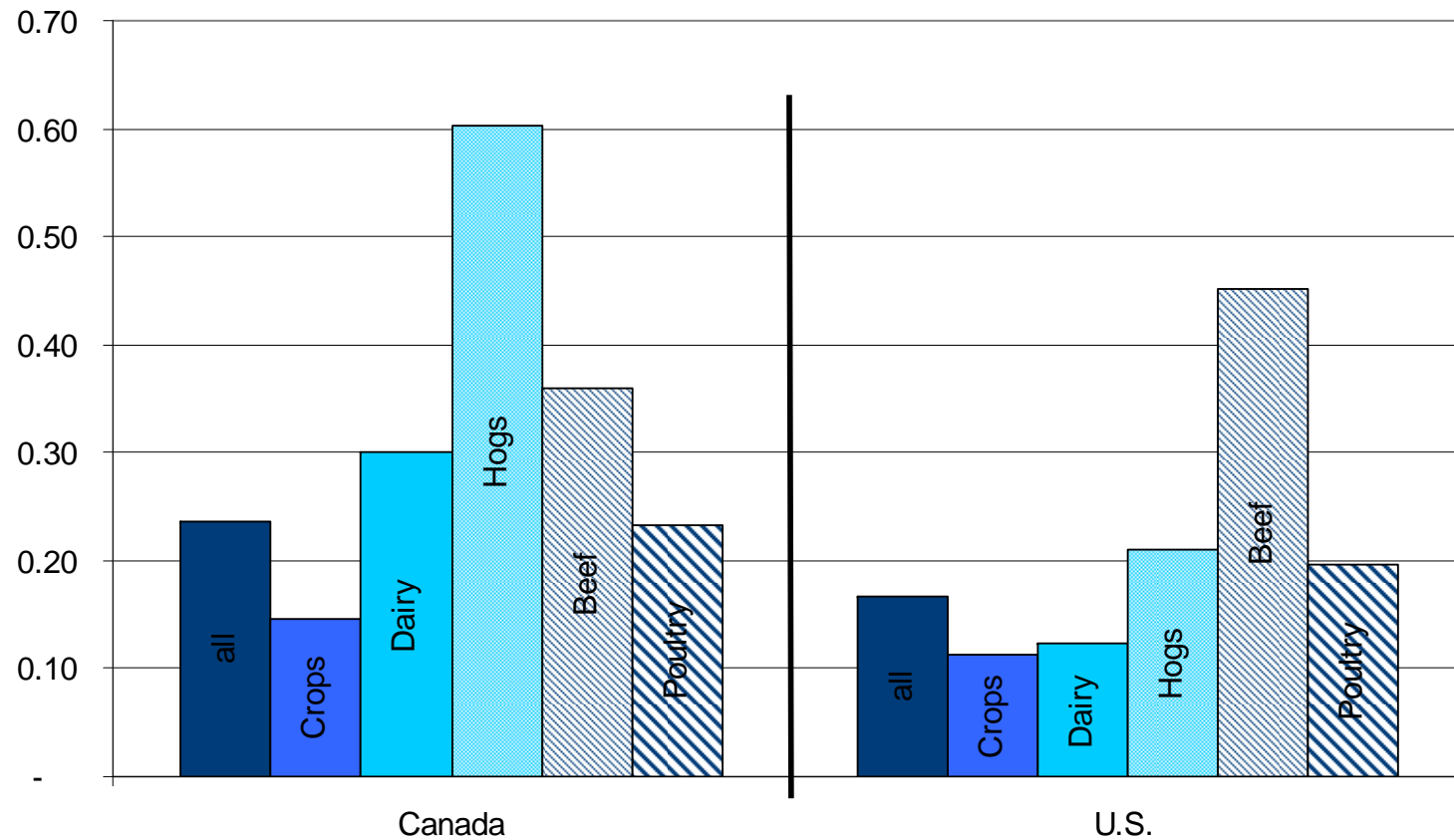
Source: Statistics Canada

Liabilities to net income ratio



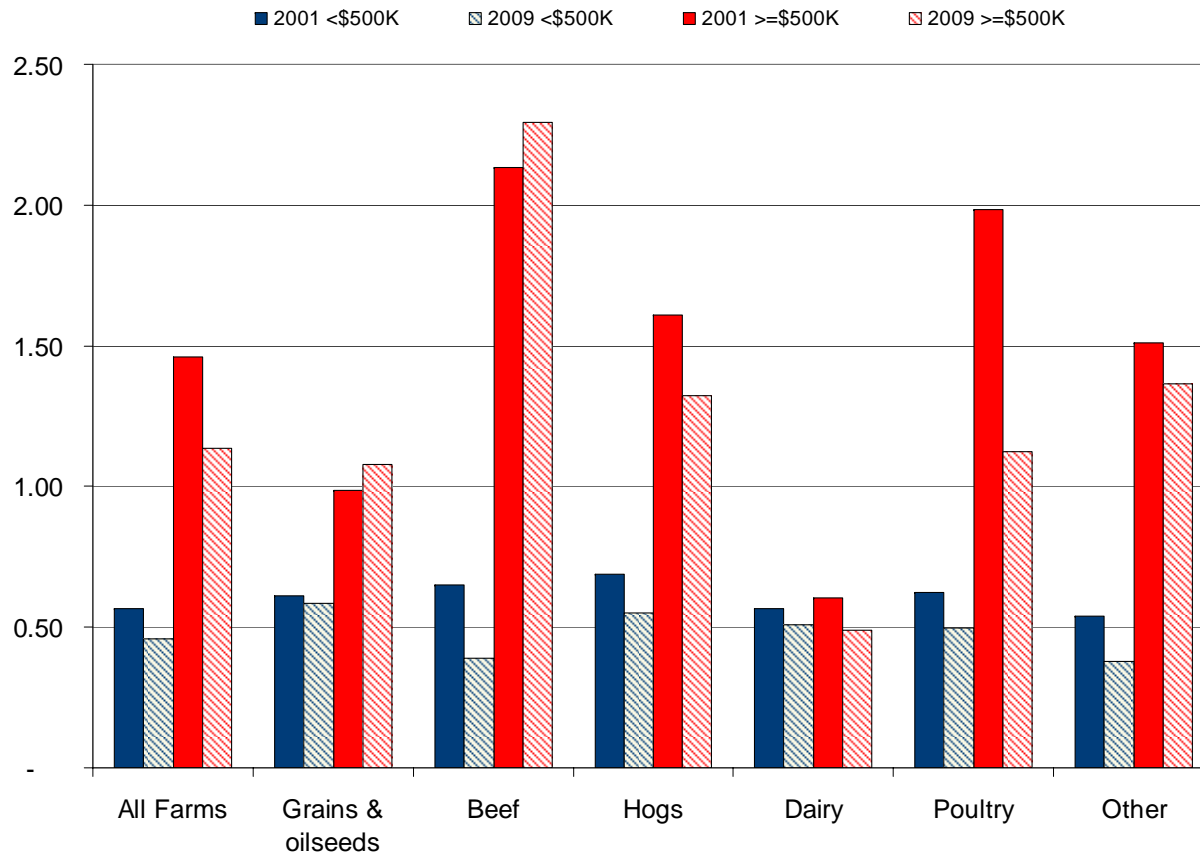
Source: Statistics Canada / Farm Financial Survey

Proportion of net income used to pay interest



Source: USDA and Canadian farm financial database

Debt exposure (revenues / liabilities) based on revenue class



Source: Statistics Canada / Farm Financial Database

Consumers' food preferences

- Food safety
- Health and nutrition
- Values-based purchasing
- Ethnic preferences



Marketing mechanisms for the agri-food supply chain

- Value chains
- Strategic alliances
- Horizontal / vertical integration

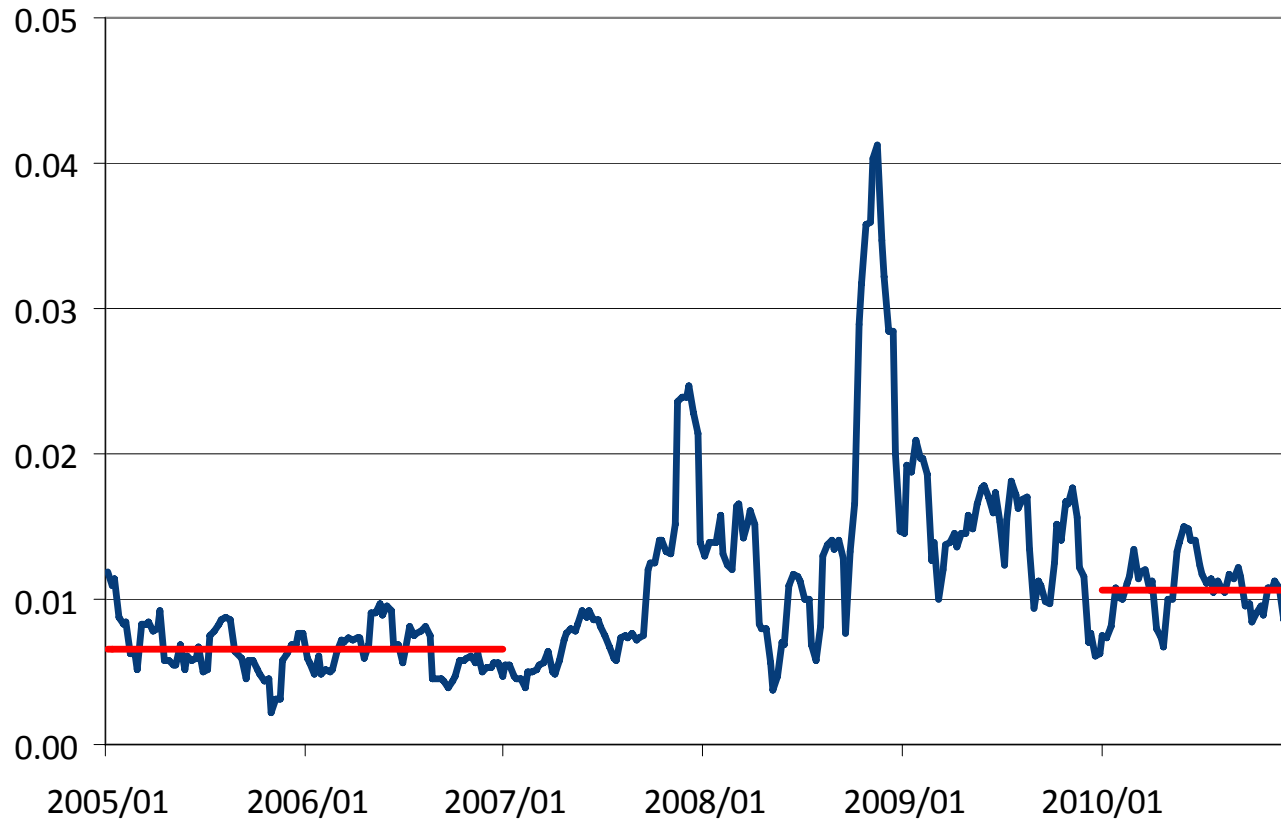
Trade

- **Composition of trade is changing**
- **Competitiveness is impacted by financial variables**
- **Focus on bilateral deals**



Border

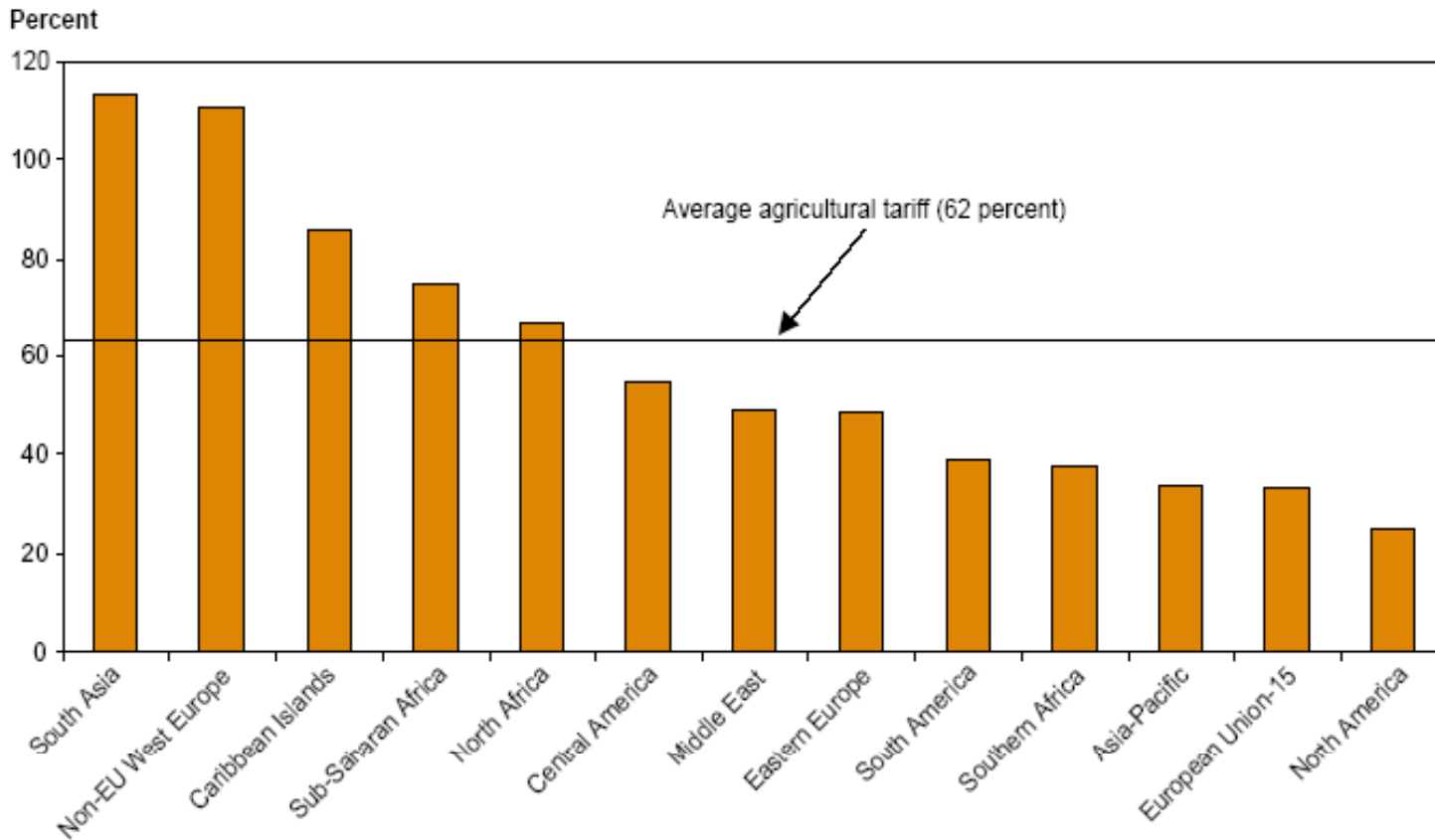
Exchange rate volatility



Source: Statistics Canada, compiled by FCC

Market access across regions

World agricultural tariff averages, by region¹



Source: ERS-USDA

Keys with regards to financial risk and design of farm policy





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