



Wealth Management
Dominion Securities

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RBC Dominion Securities Inc.

INTELLIGENT FARMER™

lorkovicwealth.com

Farm advisors
helping your family
make important
decisions.

THANK YOU
ONTARIO
FARMERS
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RBC Dominion Securities Inc.

THANK YOU ONTARIO FARMERS



You always have our back.



The COVID-19 pandemic has changed our day-to-day lives in immeasurable ways this year. While its impact has been felt across the globe with stay-at-home orders and new health and safety measures, we've also gained a new perspective on essential workers – and the professions we sometimes forget are essential.

Lorkovic Wealth Management
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Children have been forced to cancel school, park time, team sports, play dates and proms. Our seniors living in long-term care facilities have had to forgo visits from loved ones. Our favorite sporting events, community gatherings and church services have been shuttered. No matter who you are or where you live, COVID-19 has impacted your way of life.

The year has been undoubtedly challenging so far, but it has also taught us many lessons and given us a new appreciation for essential workers. We are immensely grateful for all essential workers. But in the midst of celebrating those who work so hard to keep us safe and well, we've noticed that one profession hasn't received as much mention as deserved. They work seven days a week, can't be transferred online and cannot be cancelled in the face of adversity. These significant and essential workers are Ontario farmers and I am very thankful for their vital service every day.

Like us, Ontario farmers have faced many challenges during this pandemic and had to make many sacrifices.

Ontario farmers play a critical role in making sure we are fed. Their hard work deserves a thank you from each of us, because no matter the crisis, they have continued to work tirelessly to put food on our table.

As we continue to come together as a community during this crisis, we'd like to take this opportunity to salute all of our essential workers, including Ontario farmers.



Approximately how many people does one farm feed in a year?

- A) 10
- B) 60
- C) 120
- D) 200



C. 120

Question C/O Form & Food Care:
www.farmfoodcareon.org/resources/did-you-know-resources

THE BENEFITS OF STARTING A SINGLE- PURPOSE LAND CORPORATION

Purchasing land is a common activity in any farm business, but these transactions can be handled in several different ways.



For a farm business operating as a corporation, the most common approach when purchasing land is within the existing corporation. While this isn't necessarily a problematic approach, it places all the business assets within a single corporation, which limits your flexibility in the future – particularly during the succession process. While you may want to distribute your business assets among several children, if the assets are all within a single corporation, you will only be permitted to distribute shares without significant restructuring.

Fortunately, there is an often overlooked alternative that allows you to own a piece of land separately from the rest of your business: a single-purpose land corporation. Rather than purchase the land within your existing corporation, this is a process of establishing a corporation for the purpose of a new land acquisition, so it can be managed separately from your corporation's other assets. This is ideal if you want to transfer your business assets to a new owner but retain control over a piece of land or transfer it to someone else. If you are a farmer who believes in the importance of being prepared for the future, there are several reasons to consider the benefits of starting a single-purpose land corporation.

The lifetime capital gains exemption

Every individual has access to a lifetime capital gains exemption of \$1 million on qualifying farm property. In other words, if you sell qualifying farmland in the future, you do not have to pay tax on the first \$1 million of capital gains. However, if all your properties are part of one corporation and you decide to sell a single property, it will not qualify for the capital gains exemption, because it is just one of your company's many assets. In contrast, property owned by a single-purpose land corporation is a standalone asset, allowing it to qualify for the capital gains exemption when it meets the other conditions. In this situation, the shares of the single-purpose land corporation would be sold and those shares that would qualify.

Eliminating income tax

While farmers also have the option to purchase land personally, this usually requires them to take more money out of the company to pay for the property, which results in a great deal of personal income tax. The primary reason for starting a

farming corporation is to reduce your tax bill, but you lose that benefit when you start withdrawing money personally. If you purchase the land in a single-purpose land corporation, your farm corporation can finance the purchase without incurring any new income tax.

No room for error

While it is possible to purchase land within your corporation and transfer it to a single-purpose land corporation at a later date, this would have to be done at fair market value, which has costly tax consequences – unless it is classified as a section 85 rollover. In some provinces, you may be responsible for paying the land transfer tax, which may not apply if you make the initial purchase in a single-purpose land corporation.

Consider the drawbacks

There are several benefits of purchasing farmland in a single-purpose land corporation, but there are some perceived drawbacks. Every corporation has to file its own tax return and financial statements, while paying additional fees for lawyers and bookkeeping. A second corporation also results in more administrative work, though there is no change in total tax for the corporate group because rent is deemed active. While the impact of these drawbacks is relatively minor, it is enough to act as a deterrent for many farmers. However, it may be wiser to focus on the tax savings you can enjoy through a single-purpose land corporation.



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PRE-HARVEST GRAINS & OILSEEDS UPDATE

For agricultural producers, this year has been another one of headline risks, political tensions and large world crops.

Back-and-forth debate between the U.S. and China over trade and Phase 1 deal commitments has caused volatility in the market and been a hot topic the news for quite some time. Recently we have seen a falling U.S. Dollar Index, which will hopefully help support U.S. commodity prices going forward.

Unfortunately, the falling USD index has not produced the support we have typically seen in past years. The reason for this is the depreciation of competing export countries' currencies. Since the beginning of 2020, the USD index has fallen 3.8% against the basket of G7 currencies like the euro, yen, pound, Swiss franc, Aussie, Canadian and New Zealand dollar. However, the U.S. dollar has strengthened against other emerging markets and grain-export competitive countries. As of this year to date, the U.S. dollar has strengthened 24% against the Brazilian real, up 18% vs. the Argentinian peso, and up 16% against the Russian ruble. So although U.S.-priced goods are getting cheaper in the world, our exporting competitors are getting even cheaper in comparison. This has somewhat negated the positive effects of a lower USD index, and we are seeing price driven moreso by trade headlines and over-supplied conditions.

For soybeans, ending stocks are projected to fall year-over-year with the latest estimate for the 2020/21 crop sitting at a carry out of 610 million bushels. Although this is tighter than the past two years, it is still a relatively comfortable number for trade. On top of this, a 475 million bushel increase in exports year-over-year is already priced into this balance sheet. This puts very heavy emphasis on any U.S. export sales made to China, as they account for a large portion of outstanding sales. As of late, the purchase pace from China has been impressive. However, with them making up such a high percentage of all exports, along with COVID-19 slowing down world demand, there is some major downside risk if political tensions between the U.S. and China sour. Seasonally speaking, prices tend to slump into September as the crop finishes developing. There is still time for weather to have an effect on this crop, but that window is quickly narrowing. Once harvest is well underway and yields are better known, the focus for prices will shift towards the South American crop and their growing season, as they look to plant another record number of soybean acres this year.

Corn has struggled to find a whole lot of price optimism amid large planted acres in the spring, along with the largest projected carry-out stocks since pre-1998. Unfortunately, this has made weather-related rallies in the spring/summer shallow, as it will take a huge crop loss to put



the U.S. in a tight-ending stocks situation. That being said, the supply side of corn is nothing new to the market – we have been talking about these projections since 2019. The real wild card right now for corn comes from the demand side. China increasing purchases is supportive, but most likely is already priced into the 430 million bushel increase in exports from 2019/2020, and is about 100 million bushels above the 5-year average for U.S. corn exports. However, the export market for corn is only a very small percentage of demand. In a normal year, exports make up only about 14% of total use, while feed makes up 38% and ethanol makes up 37%.

The bigger demand drivers to watch are ethanol and feed use. Unfortunately, due to COVID-19, ethanol corn use has dropped and continues to run below the pace needed to reach the USDA forecast. Feed use does continue to be strong as U.S. livestock herds continue to grow. World stocks also remain large, but heading into the end of the year, the biggest drivers for price to focus on will be South American growing conditions, along with any surprise upticks in export demand.

The general opinion by traders for the wheat market has shifted very quickly over the end of the summer. From a U.S. point of view, ending stocks continue to slide year-over-year but remain at comfortable levels. Global ending stocks, however, grew to record levels this growing season. One key takeaway from this

is that a lot of that growth comes from non-exporting nations. If you look at the ending stock numbers for only the exporting nations, they were projected to be relatively tight with regards to wheat ending stocks until the Northern Hemisphere's harvest arrived. Timely rains helped to save Black Sea crops and yields continue to rise counter-seasonally in Russia as harvest progresses. It appears gains in the Black Sea region will offset any losses in European Union crops. Along with this, the Prairies look to bring in a large crop this year. Harvest pressure should continue to be a theme to prices until the Canadian harvest is well underway. After this, price focus will shift to Australian and Argentinian crops in September, with Australia currently experiencing good rains, and increasing forecasts while Argentina is dry to start their season.

As grain and oilseed prices continue to be driven by macroeconomic and political events, having a sound marketing plan for your crop has never been more important. Price reactions to these events are quick and sharp, and those who have a plan in place are in the best position to try to take advantage of it.



**The Simpson/
Caputo Group of
RBC Dominion
Securities**

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It starts with getting to know *you*, your *family* and your *business*.

Our growing group of farming clients look to us for advice that goes beyond the challenges of agricultural production. You've worked hard to get your operation to where it is today. One day – whether that is in one year, 10 years, when you pass away, or another time – someone else will run this operation. *Just as no two families are the same, neither are their transition plans.*

Let's connect & chat.

Your comfort is our priority. We're happy to meet virtually for your convenience.

Lorkovic Wealth Management of RBC Dominion Securities believes that sound financial advice encompasses far more than just investment advice. Therefore we look at your total financial situation and offer you a comprehensive range of investment, financial, tax minimization, insurance, Will and estate planning and legacy creation services.

An extended team of specialists supplements your core team of dedicated professionals. We draw upon the expertise of this group – on your behalf – to customize your all-encompassing wealth strategy.

Contact us today at 519-747-5541 or visit lorkovicwealth.com and find out how we create a personalized plan that will grant you financial peace of mind.



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