

# Financial Update

Andrew Nixon, OHA  
&  
Sam Zahnd, ACC



MORI ESSEX  
NURSERIES INC



Ontario Centres of  
Excellence  
Where Next Happens

UNIVERSITY  
of GUELPH

# Outline

- Cost of Production Web Tool Refresher
- ACC Advance Payments Program
- Canadian Agricultural Loans Act
- Q & A

# Introduction

- Tool built at the University of Guelph
- Supported through the Ontario Centres of Excellence
- Mori Essex Nurseries supported the development from the beginning
  - Web tool available at:  
[www.ontariohazelnuts.com/ftool](http://www.ontariohazelnuts.com/ftool)



# Features

- Financial Assessment
- Uses predefined market values
- Self Harvesting vs. Contract
- Buy vs. Rent vs. Own equipment
- Collapsible tables
- Long-term projection chart
- Email/Export/Print/PDF results



# Testing

- 5 tests in 5 locations over a 5-month period
  - Leamington, Niagara, UoG, Simcoe, SONG Winter Technical Meeting
- Displayed at Northern Nut Grower Association AGM
- Input from 50+ different users
- Multiple revisions to the tool to create this version
- Tool still considered “live”
  - Can be updated as market information changes and new data becomes available



# Hazelnut cost of production financial web tool

- The tool has been available since April 2015
  - Confidential. None of your information will be stored or screened at any time.
  - Access it from any device that can open a website.
    - Mobile support
  - Completely free!



# Tool Preview

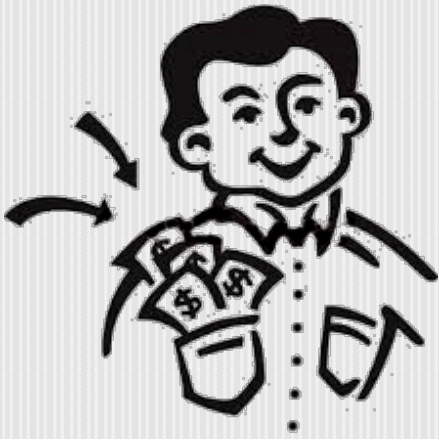
- Hosted at:
  - <http://ontariohazelnuts.com/ftool/>



# WHAT IS THE ADVANCE PAYMENTS PROGRAM

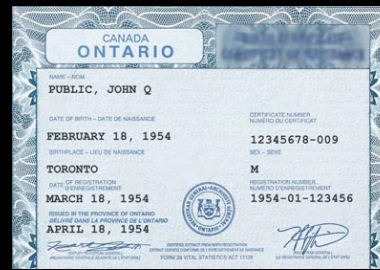
A federal loan guarantee program designed to provide low cost operating capital when you need it at the lowest possible cost

- Up to \$400,000 available with the first \$100,000 interest free, balance at prime
- Advance calculated at 50% of expected market value of your products
- Advances available up to 18 months from start date of the program





# ELIGIBILITY



To be eligible to receive a cash advance under the Advance Payments Program (APP), the producer must be:

- a Canadian citizen or permanent resident
- a corporation, cooperative or partnership of which the majority interest is held by Canadian citizens or permanent residents
- age of majority in the province of operation
- own the agricultural product

# ELIGIBLE PRODUCTS

## November 1 – March 31

(following)

- Winter Wheat & Fall Seeded Crops
- Forage
- Greenhouse Vegetables
- Greenhouse Flowers/Potted Plants
- Christmas Trees



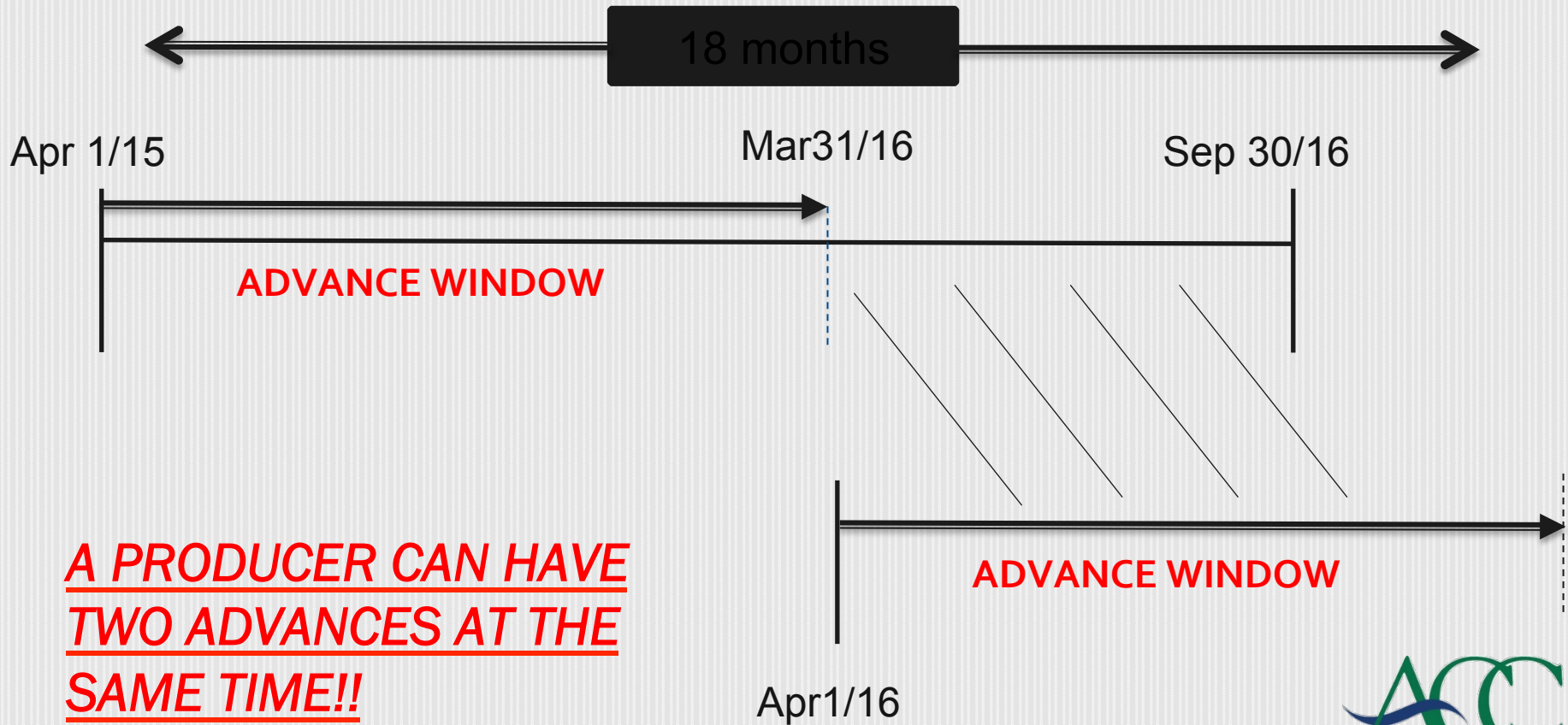
## April 1 - September 30 (following)

- Grains & Oilseeds
- Cattle
- Hogs
- Tobacco, Ginseng
- Field Fruit & Vegetables
- Sheep & Goats
- Nursery Products (now including turf)
- Berries
- Tender Fruit
- Maple Syrup, Honey

# ADVANCES FOR HAZELNUTS (TREES)

- As of today, Hazelnut Trees (Corylus) are covered under the Advance Payments Program.
- ACC is working with the Ontario Hazelnut Association and Industry to add Hazelnuts to the program
  - Advances are available starting April 1<sup>st</sup>
  - Growers must use Agristability to secure an advance
  - Current rate for Hazelnut Trees are dependent on size of tree – ranging from \$3.88/tree to \$89.72 per tree

# ADVANCE TIMELINE





Agriculture and  
Agri-Food Canada

Agriculture et  
Agroalimentaire Canada



# ***Canadian Agricultural Loans Act (CALA)***

***A better loan program for  
Canadian farmers and agricultural co-operatives***

Canada 

# Agenda



- What is CALA
- How does it help farmers
- Who is eligible
- What is eligible
- How does it work
- How to apply

# What is CALA



- The *Canadian Agricultural Loans Act (CALA)* program is a financial loan guarantee program that gives farmers easier access to credit in order to establish, improve and develop farming operations
- CALA replaced the *Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA)* in 2009 and improvements mainly included:
  - Increased loan limits
  - Expanded eligibility criteria
- The federal government guarantees, to the lender, repayment of 95% of a net loss on an eligible loan registered under the CALA program.

# *How does it help farmers*

- CALA program helps farmers with easier access to credit by providing a loan guarantee to financial institutions for hard asset loans
- Farmers can use CALA loans to establish, improve and develop farming operations
- Agricultural co-operatives may use CALA loans to process, distribute or market the products of farming
- Farmers obtain favorable interest rates on CALA loans
- Low down payment requirement under CALA
- Favorable repayment terms
- CALA supports inter-generational farm transfers (i.e. purchase of shares)



# *Who is eligible*



- Existing farmers (i.e. individual or corporation)
- Beginning/start-up farmers (less than 6 years of farming)
- Farmers taking over the family farm
- Agricultural co-operatives with a majority (50% + 1) farmer membership

# *What is eligible*



## **Eligible loan purposes include:**

- Equipment
- Machinery
- Implements
- Building / Construction (road construction, clearing of land, etc.)
- Land
- Breeding Livestock
- Shares in a farming operation
- Consolidation or refinancing of existing eligible loans

## **Not Eligible purposes include:**

- Improvements to the family dwelling
- Quota purchase
- Operating loans
- Purchase of short-term feeder livestock

# How does it work

- CALA loans are issued and administered by financial institutions such as banks and credit unions
- CALA enables lenders to incorporate it into their normal lending and due diligence practice, while providing government guarantee on eligible loans

## **The eligible loan amount depends on the type of applicant:**

- For existing farmers and co-operatives, up to 80% of the appraised value of the property for which the loan is made
- For beginning farmers, up to 90% of this value

## **Loan limits:**

- \$500,000 for land and the construction or improvement of buildings
- \$350,000 for all other eligible loan purposes (e.g. tractor, pens, manure digester, etc.).
- The maximum aggregate loan limit for any one borrower is \$500,000, and up to \$3M for agricultural co-operatives with Minister's approval

# How does it work (cont'd)

## Loan cost:

- Borrower must pay a registration fee of 0.85% of total loan amount. This fee can be rolled into the loan
- Lender can also charge administration fees to a maximum of:
  - 0.25% of loan principal to a maximum of \$250 for loans under \$250K
  - 0.1% of loan principal for loans over \$250K
  - Both fees may be incorporated into the loan provided the total does not exceed the maximums

## Interest rates:

- Variable (floating) rate: lender's prime rate plus a maximum of 1%
- Fixed-term rate: lender's comparable residential mortgage rate plus a maximum of 1%

## Repayment terms:

- 15 years for land
- 10 years for all other eligible purposes

# *How does it work (cont'd)*

## **Security:**

- All CALA loans must be secured
- Security is generally the asset to which the loan applies

## **In case of Default:**

- The Lender will make every attempt to collect payment, including realizing on the security
- The government will honour its guarantee to the Lender for 95% of the outstanding amount
- The amount paid by the government becomes a debt to the Crown owed by the borrower

# *How to apply*



- **Borrowers must apply directly with financial institutions such as:**
  - Chartered Banks
  - Credit Unions
  - Caisses Populaires
  - Alberta Treasury Branches

# *For More Information*



- Visit the CALA Website at [www.agr.gc.ca/cala](http://www.agr.gc.ca/cala)
- Contact Program Staff:
  - Glenda Taylor, Assistant Director  
613-773-3412
  - Bob Shalla, Program Manager  
613-773-2036

# Pending Updates

- Using users' location, link logistic capabilities with suitability map
- Variety recommendations for your particular situation
- Rental costs for equipment, based on total estimated annual hours of use
- Updated planting densities based on grower feedback
- Fresh Market Vs. Processed Market Pricing
  - Once we have contracts
- Potential to include loan repayment in model
- Feedback is always welcome!
  - Feedback form possible to be included in Web Tool





# *Inputs involved in Orchard Management*

- Tractor – 50 HP 2WD for fertilizing, spraying, brush raking, flail chopping
  - Used @ harvest to move and load totes for delivery to processors
- Mowing – 1hr/acre (depending on equipment) every 2-3 weeks.
  - More in spring, less in summer.
- Flailing – 6 acre/hr 2x-3x per year
- Pruning – 1/3 of orchard every year
- IPM Scouting – Begins Year 3, 1 hour per acre
- Soil Analysis – Year 1 and every 5 years after
- Foliar Analysis – Year 2 and every 3 years after



# Fertilizing In Oregon

- Using 1,000 lb spreader, ½ h per acre 2x a year
- Fertilizer program includes Urea form of N
  - Year 2 start @ 1/11<sup>th</sup> of full application and increase by same amount until 2lb/tree reached
- Foliar boron spray every year beginning in 3<sup>rd</sup> year
- Potassium (Potash) applied @ 7lb/tree every 8 years
- Lime applications – 2 tons per acre, start Year 1 and every 5 years after



# Conventional IPM in Oregon (EFB Resistant Varieties)

- Filbertworm – Begin Year 4 then every year at 1.5 sprays
- Aphids & Leafrollers – Begin Year 4 then every every 4 years at 1 spray
- Herbicide strip spraying – Begin Year 1 and then again every year after
  - Herbicides for strip maintenance applied to 1/3 of orchard assuming 1/3 of orchard is in vegetation free strips in tree rows
- Fall copper applications for common filbert blight for first 3 years, 8 hours for 20 acres
- 4 sucker sprayers yearly beginning in Year 3



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# Harvesting in Oregon

- Harvest takes 15 acres per day using 1.5x coverage
  - Includes harvesting nuts, sweeping floor, loading totes.
  - We consider Washing and Drying costs to be part of aggregation costs and aren't included in the contract harvest calculation



# High Density Planting - Tree removal

- We have, based on feedback from University of Guelph researchers and OMAFRA technicians, estimated that beginning in Year 11, we can remove 10% of the orchard until only 200 trees remain per acre
- We do not have the growing season Oregon does, and therefore our trees should not reach the size of those orchards and we can keep more trees per acre in our mature orchards

