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make important
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SUCCESSION PLANNING:

FEATURE ON PAGE 2



4 Farm Succession
Planning Guide

6 5 Global Forces
Driving Canadian
Agriculture

8 Reaping the benefits
of farm gifting

10 Soybeans, Corn
& Wheat Update

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SUCCESSION PLANNING: TRANSFERRING ASSETS TO YOUR CHILDREN



One of the biggest questions families ask when they begin thinking about succession is:

“Where do we even start?”

Whether you’re planning to transfer farmland, equipment, shares in a farm corporation, rental properties, or investment accounts, the process can feel overwhelming. Every asset is different, every family is different, and there are often emotional and financial considerations that make the decisions even more challenging.

Fortunately, succession planning doesn’t have to be complicated. One simple way to organize your thinking is to divide your assets into three buckets:

1) My Assets: Assets I intend to keep and control throughout my lifetime.

2) Our Assets: Assets I gradually share ownership with my children while I’m still involved.

3) Their Assets: Assets I’m comfortable transferring completely to the next generation.

This framework isn’t about making every decision today. Instead, it provides a starting point for thoughtful family conversations and helps you develop a succession plan that reflects both your financial goals and your family values.

Before transferring assets during your lifetime, it’s also important to ensure your own financial future remains secure. Consider questions such as:

- Will I have enough income throughout retirement?
- How would rising healthcare or long-term care costs affect me?
- What if inflation remains higher than expected?
- Will I still have the flexibility I need if my circumstances change?

Working through these “what if” scenarios with your advisor can help you move forward with confidence, knowing your own financial security comes first.

1. “My” Assets — Assets You Keep Until the End

These are the assets you intend to own and control throughout your lifetime, with ownership transferring through your estate plan.

Many families keep assets in this bucket because they provide financial security, generate income, or simply offer flexibility. By maintaining ownership, you retain complete control over how the asset is managed and preserve the ability to sell, refinance, or change your plans if circumstances evolve.

Common examples include:

- Your principal residence
- Investment portfolios
- Life insurance
- Vacation properties
- Assets that generate retirement income

There is no “right” amount to keep in this bucket. For many families, retaining ownership of certain assets provides peace of mind and helps ensure they remain financially independent throughout retirement.

2. “Our” Assets — Building the Bridge Together

This bucket represents a gradual transition rather than a sudden transfer.

Instead of waiting until your estate is settled, you begin sharing ownership with your children while you’re still actively involved. This allows them to gain experience while you continue providing guidance, mentorship, and oversight.

For many farm families, this approach works particularly well because succession isn’t just about transferring ownership, it’s about passing along knowledge, responsibility, and confidence.



Assets commonly found in this bucket include:

- Farmland
- Farm corporation shares
- Business interests
- Rental properties

One of the greatest benefits of co-ownership is that it creates opportunities for meaningful conversations. Your children begin participating in important decisions, learning how assets are managed, and developing confidence before assuming full responsibility.

Like any partnership, however, shared ownership works best when expectations are clearly defined. Written agreements outlining decision-making responsibilities, maintenance, income distribution, and future exit strategies can help prevent misunderstandings and preserve family relationships.

It's also worth recognizing that shared ownership may introduce additional considerations. Depending on how ownership is structured, assets may become exposed to risks affecting your children, such as creditor claims, marital breakdowns, or financial difficulties. There may also be tax implications that should be discussed with your legal and tax advisors before implementing a plan.

None of these considerations mean co-ownership should be avoided. Rather, they highlight the importance of thoughtful planning before moving forward.

3. “Their” Assets — Passing the Torch

These are assets you feel comfortable transferring completely to your children.

Once transferred, they become the legal owners. They make the decisions, enjoy the benefits, and assume the responsibilities that come with ownership.

For many families, this step comes only after they've developed confidence that their children are financially responsible and prepared to manage the assets independently.

A complete transfer can be one of the most rewarding milestones in a succession plan. Watching the next generation take

ownership of the family business, farm, or other important assets is often exactly what parents hope to see.

At the same time, it's important to understand what changes are made once ownership has been transferred.

You no longer control how the asset is managed, refinanced, or sold. If your child experiences financial difficulties, creditor issues, or divorce proceedings, the asset may become exposed. Unlike co-ownership arrangements, reversing a complete transfer is generally difficult, if not impossible.

Because of this, timing is important. A full transfer should occur when both you and your children are confident the next generation is ready to take full ownership.

Key Takeaways

There is no universal formula for succession planning.

Some assets are best kept under your control for life. Others benefit from a gradual transition that allows your children to learn while you remain involved. Still others may be ready for complete transfer once the next generation has demonstrated the experience and responsibility needed to manage them independently.

The “My, Our, Their” framework isn't about putting every asset into one category forever. It's about encouraging thoughtful conversations and helping you intentionally decide what role each asset should play in your family's future.

When families organize their assets this way, succession planning becomes less overwhelming. Conversations become more productive. Expectations become clearer. Advisors can provide more meaningful guidance. Most importantly, your plan begins to reflect not only your financial objectives, but also the values and legacy you hope to pass on.

Succession planning isn't simply about transferring wealth. It's about transferring opportunity, responsibility, and a lifetime of hard work to the next generation.



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A man wearing a plaid shirt, jeans, and a baseball cap is walking away from the camera through a lush green field. The sun is low on the horizon, creating a warm, golden glow. The field is filled with low-lying green plants, and a line of trees is visible in the distance under a clear sky.

Succession planning
helps protect the
business you've
built, support your
family and prepare
the next generation
for what comes next.

Farm Succession Planning

GUIDE

Succession planning is a critical step in ensuring the continuity of your farming business. Whether you're transitioning the farm to a family member or preparing for a third-party sale, having a comprehensive plan in place is essential. This guide will help you navigate the process, addressing key considerations for both current owners and successors.



1. Starting the Discussion

Initiating the conversation about succession is often the hardest part, but it is crucial for the future of your farm. Start by asking yourself:

- **Have you begun planning for the succession of your farm?** If not, it's time to start. Setting a timeline for the transition is important for creating a smooth handover of responsibilities and ownership.
- **Who will take over the farm?** Will it be a family member, or are you considering a third-party sale? If a family member is the successor, consider the dynamics among non-farming children. It's essential to address these relationships early in the process to prevent future conflicts.



2. Key Considerations for Current Owners

- **Gather critical paperwork:** Ensure that your tax returns, financial statements, insurance policies, mortgage and loan documents, wills, powers of attorney, partnership agreements, and a comprehensive financial plan are all in order. These documents will be crucial for a seamless transition.
- **Understand the value of your assets:** Knowing the value of the assets being transitioned is fundamental. This will help you determine whether to sell, gift, or use a combination of both when transferring ownership to the successor.
- **Plan for retirement:** Secure your financial future by completing a financial plan that accounts for your retirement needs. Consider how your succession plan will affect non-farming children and decide where you will live after the transition—whether on or off the farm.
- **Create a timeline for transferring responsibilities:** Establish a timeline for transferring labor, decision-making, and control of the farm. This timeline will guide both you and the successor through the transition process.



3. Consideration for Choosing the Successor(s)

- **Alignment with your timeline:** Ensure that the successor is aware of and agrees with the timeline for transferring labor, decision-making, and control. It's important for both parties to have clear expectations regarding when these transitions will occur.
- **Financial readiness:** Discuss whether the successor is prepared to take on debt, if necessary, as part of the transition.
- **Future plans for the operation:** Talk with your successor about their vision for the farm's future. Do they plan to expand, focus on paying down debt, or diversify the operations? Understanding their plans will help you gauge their readiness and ensure the farm's continued success.

5 GLOBAL FORCES DRIVING CANADIAN AGRICULTURE IN 2026

How the Next
Generation
of Canadian
Producers Can
Help Shape a
Stronger Future



5 Key Insights on Global Forces Reshaping Agricultural Finances

1. Currency Risk: Currency fluctuations have a direct and measurable impact on farm income, making exchange rates a valuable consideration for deciding when to sell.

TREND: Currency fluctuations can shift commodity prices overnight, where even small movements in the value of the Canadian dollar can significantly affect revenues. Recognizing that traditional Canadian farm commodities are priced relative to U.S. markets, Commodity Futures Specialist, Bert Caputo reports that even a single one-cent increase in the Canadian dollar can effectively reduce crop sale prices by roughly one percent. For a commodity like soybeans, this could mean a drop of approximately 15 cents per bushel without any change in supply or demand.

THE BOTTOM LINE: Canadian producers now face financial market dynamics that rival production challenges, making financial awareness just as important as agronomic expertise. Caputo says tracking exchange rates along with commodity prices can help producers make more informed decisions.

2. Commodities: Commodity markets are no longer driven by the traditional supply and demand model, rather they are increasingly influenced by a broader set of global forces.

TREND: Commodity markets are becoming more intertwined, policy-influenced, and volatile. “In the past corn was corn but now corn can also be seen as fuel,” explains Caputo. Meaning that corn (and other commodity) prices can now be shaped by a host of factors like energy market demands, biofuel policies, geopolitics, and global logistics. As a result, today’s producers can expect less predictable commodity pricing and demand influencers including government mandates and global policy decisions.

THE BOTTOM LINE: At the farm level, Canadian producers are now operating in an environment where commodity prices can change significantly without any alterations to production practices, making a deeper understanding of global markets a big advantage. To successfully navigate this ‘new normal’, the next generation of Canadian producers can align their operations with long-term demand trends and monitor global market drivers like energy prices, geopolitical developments, and policy changes. Additionally, they should develop a written risk management plan that details price targets, margin goals, and incorporates hedging strategies (tools like futures contracts, forward contracts, or options to lock in prices or protect against price drops).

3. Interest Rates: Having a clear, well-thought-out interest rate strategy is equivalent to proactively managing crop prices, input costs, and tracking productivity.

TREND: After peaking in 2024, the Bank of Canada has cut the benchmark interest rate to the bottom end of its 'neutral' target range. There has been a narrative in the market that interest rates could continue to move towards a "higher for longer" environment with low likelihood of returning to the ultra-low borrowing days of the past decade. Directly affecting profitability, cash flow, and purchase decisions, the impact from borrowing costs needs to be factored into long-term financial plans.

THE BOTTOM LINE: For the next generation of Canadian producers, interest rates must be moved to a priority position in relation to the overall management of their operations. This means developing a formal interest rate strategy, locking in rates where appropriate to create cost certainty, regularly reviewing loan agreements as market conditions change, and incorporating realistic, long-term, higher rate assumptions into their business planning. "When you look at your operation and the complexity surrounding all the variables of farming, the one thing you can actually lock in for the long term is your interest expense. Everything else, weather, commodity prices, labour, all remain uncertain," says Lana Difrancescomarino, VP of Risk Solutions at RBC Capital Markets. As a metric in financial performance, producers who successfully manage interest rates can gain a competitive edge.

4. Structuring Debt: Debt costs can rise quickly, refinancing can be expensive, and structure of debt can impact a farm's overall performance.

TREND: The amount of capital required to operate today's farming operations means using debt as a tool to leverage assets and increase productivity. When structured effectively, debt can support growth and resilience, while maintaining operational flexibility as conditions change.

THE BOTTOM LINE: To protect cashflow and maintain the long-term farm stability, Difrancescomarino recommends producers use a multi-faceted approach to manage debt such as diversifying debt structure (balancing fixed and floating rate loans), considering financial tools like interest rate swaps, laddering debt over time to spread out risk and developing a risk management plan with margin targets, financial buffers, and contingency strategies. But above all else, she highlights the importance of regularly reviewing plans with your financial advisors to carefully evaluate opportunities and reassess debt structure as rates change.

5. Global Trade Tailwinds and Headwinds: Despite uncertainty in global markets and eroding confidence in our current U.S. trade agreements, Canadian agri-food exports have diversified significantly in recent years.

TREND: While global trade becomes increasingly policy-driven and volatile, Canada continues to be presented with both challenges (unreliable trade partners, shifting global policies) and opportunities (new market access and commodity diversification). Citing demand from new international markets like the EU, Japan, South Korea and North Africa, Lisa Ashton reports, "Canada's agriculture sector is incredibly well respected globally for our safety standards and quality. Where we really need to improve is our reliability and getting our products to global markets more efficiently."

THE BOTTOM LINE: The world is getting smaller. Canadian producers must think beyond local production and understand how shifting global dynamics may impact demand and financial position. This includes finding financial partners to help you stay informed on global markets, adapting production systems to meet the needs of new international buyers, diversifying your export offering and focusing on becoming more reliable.

AT A GLANCE

Farm profitability is increasingly being shaped by global forces like policy, geopolitics, and international demand, not just farm productivity.

A dynamic environment creates new possibilities. Ongoing changes in global trade and commodity markets, coupled with shifts in currency and interest rates, are creating new opportunities.

Strong financial insights are becoming a powerful advantage. Akin to an agronomist who advises on all matters agronomic, Canadian producers also need to build a strong network of external partners and financial advisors to complement their agronomic excellence.

Proactive strategies like hedging, debt structuring and interest rate planning are critical for managing risk, protecting margins and cashflow.

Producers who build strong advisory teams, stay informed and plan ahead are well-positioned to lead and thrive in a rapidly evolving industry.

REAPING THE BENEFITS OF FARM GIFTING



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Succession planning remains a top concern for Canadian farm families, especially as nearly half of all farmers are now 60 or older.

Rising land values have increased the complexity of estate equalization, particularly when balancing the interests of active and non-active children. Fortunately, there are rules under the Income Tax Act (ITA) to help with this. Unlike other types of business, it is possible to gift certain farming assets to the next generation without tax consequences.

Key considerations for gifting

Transferring farm property to the next generation by way of a gift can help reduce estate and probate fees, provide control over who receives the assets and potentially enable income splitting with adult children. However, gifting also means loss of control over the assets and possible income attribution back to the transferor under certain tax rules.

WHY IT MATTERS

NEARLY HALF

of Canadian farmers
are now 60 or older.



Tax-deferred transfers under the ITA

The ITA allows qualified farm property to be transferred to the next generation on a tax-deferred basis. Farmers may also use their remaining \$1,250,000 lifetime Capital Gain Exemption (CGE) on such transfers. Key provisions include:

Subsections 73(3) and 73(4): These sections govern the transfer of farm property, shares of a family farm corporation or interests in a family farm partnership during the owner's lifetime. Similar rules apply on death in subsections 70(9) and 70(9.2).

Eligibility: Farm assets must be located in Canada, the recipient child must be a Canadian resident and assets must have been used principally in farming (more than 50 per cent of the time). The definition of "child" is broad, encompassing grandchildren, in-laws, adopted and stepchildren, and their spouses.

Family farm corporation/partnership: To qualify, at least 90 per cent of the fair market value of the property must be used for farming in Canada.

Transfer limits

The following table outlines the limits for transferring farm assets:

Asset type	Low limit (ACB/ UCC)	High limit (FMV)
Land	ACB	FMV
Depreciable property	Lesser of UCC and capital cost	FMV
Shares/Partnership	ACB	FMV

(ACB: Adjusted cost base UCC: Undepreciated capital cost)

It is important to note inventory is not eligible for this tax-deferred rollover. Other planning options may be available in some cases, including sale for a cash-basis promissory note, rollover to a farm partnership or rollover to a farm corporation.

Estate planning flexibility

While Interpretation Bulletin IT-268R4 is somewhat dated, it highlights options such as partial dispositions, severing land for a child's residence, undivided shares among children, joint tenancy and retaining life interests for the transferor or spouse.

CGE multiplication and attribution risks

Although gifting can multiply the CGE, Section 69(11) prevents leveraging the exemption if the main purpose is to obtain a tax benefit. To avoid this rule nullifying intergenerational rollovers, the child should wait at least three years before disposing of the property. Intergenerational transfers to a minor child may also result in gains being attributed back to the transferor, with significant tax consequences for the transferor.

Ontario land transfer tax exemption

For Ontario land transfers, the land transfer tax exemption applies only if the land is farmed by eligible family members or an eligible family farm corporation before and after transfer.

Practical advice

Farm tax specialists can clarify rules for transferring eligible farm assets at less than fair market value, but the challenge remains in family dynamics and ensuring fairness among children. Every succession plan should be tailored to the family's goals, with professional guidance to navigate tax issues and avoid pitfalls.

To ensure your succession plan is both tax-efficient and equitable, contact your Baker Tilly advisor. Our team can help you structure transfers, maximize exemptions and – most importantly – support your family's long-term objectives.

A Canadian flag is flying on a tall silver pole on the left side of the image. The background features a vast yellow field, likely rapeseed, with a line of green trees and a few buildings visible in the distance under a clear blue sky.

SOYBEANS, CORN & WHEAT UPDATE

WHAT HAPPENS ABROAD SHAPES THE MARKET AT HOME.

On the oilseed front, US/China trade relations remain front and center as the market quickly approaches the end of the US growing season. In a typical year China makes up over 50% of the US's total exports, meaning any concern over trade relations between the two countries can cause large swings in the market.

As of writing, rhetoric surrounding trade has cooled after the summit back last October. China is said to have committed to purchase 25 mmts of US beans for the next 3 marketing years. This would be just shy of their 3-year average purchases but almost double what took place this past season when the trade war was ongoing. There remains some divergence in the terms of the deal, as the US touts a 25 mmts pledge while China states they will purchase US beans when it makes economic sense to do so. China has begun to buy US soybeans for the new crop season as US beans have been priced below Brazil and Argentinian origin. This fall, all eyes will remain on China and how aggressive their purchase program remains if their imports result in elevated prices. On the domestic front, crush continues to be the steady bright spot in the industry driven by the record renewable fuel obligations (RVO) set by the EPA this year. The ambitious

RVO target has driven record crush margins on the back of rallying soyoil and feedstock prices. Of note however, rallying compliance costs and soyoil values have started to encourage imports into the US – specifically for used cooking oil. This is something that needs to be watched going forward as it could cut into the USDA's forecasted total soyoil use if it persists. In the face of all of this, US balance sheets are projected to remain relatively steady year over year, barring any changes to yield into the end of the growing season. World supplies are set to contract slightly off of the record levels from last year. Key to this will be Chinese imports as the USDA and the Chinese estimates are about 20 mmts apart.

On the grains side of things, the most recent driver in price volatility has been the resurgence of Russia and Ukrainian hostilities and the expansion of strikes on both energy and grain infrastructure. Increased Ukrainian targeting of the Russian shadow fleet in the Sea of Azov has brought vast amounts of exports through that region to a standstill while Russia retaliates on Ukrainian port infrastructure. Both countries have been actively trying to expand their wheat and corn export through different avenues to help counteract these disruptions. This has helped to put a lift in world prices, but ample supplies have kept a lid on any sharp upside for now. The US growing season this year has been mixed as the winter wheat growing season was hampered by severe drought throughout the bulk of the western growing regions,

causing US wheat production to come in at a two-decade low. Looking at corn, the growing season has remained relatively favorable. July has brought the usual spurts of hot and dry weather, but as of writing it is not expected to have materially affected the crop outlook. Despite the good growing conditions, US ending stocks look to contract further year over year on the back of lower acres and continued strong demand. On the world front, the area of concern has been the EU which was plagued by drought issues this season. The hot dry weather caused slightly lower than expected wheat production, but the real story is corn. EU corn production estimates now sit at the lowest levels seen since 2017. The EU is already projected to be the 3rd largest importer of corn in the world and further cuts to their production should only see this import estimate grow in the months to come. World corn ending stocks as a whole are expected to contract 8% year over year. This combined with lower US supplies should help keep support in this corn market once we get through any seasonal harvest pressure in the fall.



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Lorkovic DeKoning

Wealth Management of RBC Dominion Securities

Helping Ontario farm families preserve, grow, and transition their farming legacies.

Backed by Canada's leading full-service investment and wealth management firm.

At Lorkovic DeKoning Wealth Management of RBC Dominion Securities, our specialized wealth management process and investment management discipline is designed specifically for farm families like yours. It begins with developing an understanding of your unique story and goals, and guides you step-by-step through planning, investing, and ongoing support to protect your legacy for generations to come.

MEET THE TEAM

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