Growing Forward 2

AgriStability

Program Handbook

Manitoba Newfoundland Labrador NOVA SCOTIA New Brunswick Nouveau Yukon Government Canada

AgriStability Program Handbook - March 2013

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1.0 Introduction to the AgriStability Program

In 2012, federal, provincial and territorial Ministers of Agriculture reached agreement on the five-year *Growing Forward 2* policy framework, which is in effect beginning with the 2013 Program Year. *Growing Forward 2* is a renewed commitment to Canada's agriculture sector by the federal, provincial and territorial governments, to work together in building the productivity, profitability and competitiveness of our agricultural industry. Under *Growing Forward 2*, the AgriInvest and AgriStability programs will continue to provide Canada's agricultural producers with a range of options to protect against both small and large income declines.

The new suite includes:

- **AgriStability** which offers protection against large declines in farm income caused by circumstances such as low prices, rising input costs, and production losses.
- **AgriInvest** which helps cover income declines and supports investments that help mitigate risks.

This Handbook outlines the program rules and features for AgriStability. A separate Handbook is available for the AgriInvest program on the AgriInvest web site at **www.agr.gc.ca/agriinvest** or by calling the toll-free line at **1-866-367-8506**.

With the implementation of these programs, important changes have been made to the way payments are calculated. To ensure you understand the program rules, and what you must do to participate, please carefully review the information in this Handbook.

Requirements published in this Handbook are accurate at the time of printing but may be subject to change without notice. For updates and current deadlines, please visit the AgriStability web site at **www.agr.gc.ca/agristability** or call the Administration toll-free at **1-866-367-8506**.

Generally, individuals or entities that derive income from the primary production of agricultural commodities, as defined by the program, are eligible to participate in AgriStability. Program benefits are triggered when a participant's income in the Program Year falls more than 30% below their average income from previous years. The greater the decline in income, the greater the payment.

To participate, you must provide the Administration with the information necessary to calculate your payment. This process includes receiving an Enrolment Notice, paying your program fee, and submitting your application. For a Glossary of the terms used in this Handbook, see Section 8.0.

You can contact the Administration by calling toll-free 1-866-367-8506, or visit the program web site at www.agr.gc.ca/agristability.

Note: This Handbook contains general information only and is not intended to be a substitute for legislation. Where a discrepancy exists between the information in this Handbook and the program authorities (the Growing Forward 2 Agreement and related Program Guidelines) the program authorities will take precedence in all cases.

2.0 Eligibility

2.1 Eligibility Requirements

If you derive income from the primary production of agricultural commodities, as defined by the program, you are eligible to participate in AgriStability, provided you have (in the Program Year):

- carried on the business of farming in Canada and reported farming income (or loss) for income tax purposes*;
- completed a minimum six consecutive months of farming activity**;
- completed a production cycle**; and

- submitted the necessary information by the required deadlines.

A **production cycle** includes one or more of the following activities:

- the growing and harvesting of a crop;
- the process of rearing livestock;
- the purchase and sale of livestock within a Program Year in the case of feeding or finishing enterprises.

*You must have filed farming income for tax purposes for the Program Year, and for all reference years in which you farmed, in order to be eligible for AgriStability. You must submit your income tax information for the Program Year to the Canada Revenue Agency (CRA) no later than the final deadline for submitting your Program Year application. Income tax information for all reference years must also be submitted to CRA by a deadline established by the Administration.

Status Indians who carry on the business of farming on a reserve in Canada, who are exempt from filing income tax returns, are eligible to participate provided they submit the information they would otherwise have reported for tax purposes.

**The requirements to complete six consecutive months of farming activity and a production cycle may be waived by the Administration if you were unable to complete them in the Program Year due to reasons beyond your control (such as disaster circumstances like flooding or drought).

2.2 Participation Requirements

2.2.1 Annual Steps to Participate

Step 1 You must be issued an Enrolment Notice, which identifies your program fee, in order to participate in AgriStability. Contact the Administration before the enrolment deadline if you have not received an Enrolment Notice.

If you are a new participant, you must request a New Participant Package by the enrolment deadline of the Program Year for which you intend to apply. Complete and submit the required forms by the deadline provided by the Administration. The information on these forms is required to issue an Enrolment Notice.

Step 2 Submit your program fee and Administrative Cost Share (ACS) payment to the Administration by the deadline identified on your Enrolment Notice. For details on the program fee and ACS, see Section 3.2.

Step 3 Submit your AgriStability harmonized form by the application deadline. Participants have several options for submitting their harmonized form. For details on filing options and a full list of AgriStability forms and guides, visit the AgriStability web site at **www.agr.gc.ca/agristability** or call the Administration toll-free at **1-866-367-8506**.

Applications submitted after the initial application deadline will be accepted up to three months past the deadline, but will be subject to a late filing penalty. Any amount payable to you for that Program Year will be reduced by $500 for each month (or part thereof) the application is submitted after the deadline. If the penalty exceeds the payment amount, the payment will be reduced to zero. The remaining penalty amount will not be applied to any other Program Year.

Applications postmarked after the three month penalty period will not be accepted. Should the deadline date fall on a Saturday, Sunday, or statutory holiday, completed forms postmarked on the next business day will be accepted.

Step 4 Once the Administration has processed your application, you will receive a Calculation of Program Benefits (COB) outlining the calculation of your margins and, if applicable, your AgriStability payment. It is important that you carefully review the information on your COB as soon as you receive it to ensure it is accurate. You have 18 months from the date on your original COB to request an initial adjustment to any information shown on that COB, including information used to calculate reference and Program Year margins.

If your request for an adjustment is denied, you have 90 days from the date of notification to appeal this decision. For more important information on submitting adjustments or appeals see Sections 6.0 *Adjustments* and 7.0 *Appeals*.

2.2.2 Filing the Appropriate Form

Sole Proprietorships, including Partners in a Partnership, must complete and submit the AgriStability harmonized form for individuals and provide their Social Insurance Number (SIN). Partners in a partnership must each submit separate program applications reporting 100% of the partnership's income and expenses, and must identify their percentage share of the partnership. The Administration will calculate each partner's share of government benefits based on each partner's percentage share of the operation.

Estates must complete and submit the AgriStability harmonized form for Individuals and provide their SIN. If the Estate is also filing a return for *Rights and Things*, an AgriStability harmonized form for Corporations/Cooperatives and Special Individuals must also be submitted. The Administration will combine the information provided on both forms.

Trusts must complete and submit the AgriStability harmonized form for Corporations/Cooperatives and Special Individuals and supply their Trust Number.

Corporations and Co-operatives must complete and submit the AgriStability harmonized form for Corporations/Co-operatives and Special Individuals and supply their Business Number.

Communal Organizations must complete and submit the AgriStability harmonized form for Corporations/Co-operatives and Special Individuals and supply their Trust Number.

Status Indians and Band Farms who carry on the business of farming on a reserve in Canada and are exempt from filing income tax returns are eligible to participate provided they submit the information they would have otherwise reported for tax purposes. Status Indians and Band Farms submit their AgriStability harmonized form for Corporations/Cooperatives and Special Individuals directly to the Administration. Status Indian participants are deemed to have a December 31 fiscal year-end.

Limited Partnerships are eligible to participate as an entity, and must supply their Business Number, using the AgriStability harmonized form for Corporations/Cooperatives and Special Individuals. Alternatively, the partners in a Limited Partnership may apply as individuals and must supply their SIN, using the AgriStability harmonized form for Individuals. Partners in a Limited Partnership cannot apply as both an entity and as individuals.

Former Federal Public Office Holders or Servants who are not in compliance with federal conflict of interest guidelines are not eligible to receive payments under the Program.

2.2.3 Landlords

Income earned as a landlord (whether cash rent or payments-in-kind, for crop/livestock shares or lease arrangements) must be reported as rental income, not farming income, for tax purposes and is therefore non-allowable for AgriStability. However, if your arrangement is a joint venture in which your share of allowable income is proportionate to your share of allowable expenses, those income and expense amounts may be allowable for AgriStability and, in this circumstance, should be reported as farming income. Copies of written joint venture or crop/livestock share agreements, documenting the shared income and expense items, may be requested by the Administration.

2.2.4 Beginning Farmers

For AgriStability purposes, beginning farmers are those who have farmed for less than three years. If you are a beginning farmer, you are eligible to participate as long as you have had six consecutive months of farming activity and have completed a production cycle in the Program Year. These requirements may be waived by the Administration if you were unable to complete them in the Program Year due to reasons beyond your control (such as disaster circumstances like flooding or drought).

Where a participant did not have farming activity and did not report farming income (or loss) in each of the three years immediately prior to the current Program Year, the Administration will create margins for these missing years based on the farm's productive capacity of the current Program Year. Margins will not be created for any reference year in which the participant reported or should have reported farming income (or loss) for income tax purposes, based on the requirement of the *Income Tax Act*. However, where a reference year was the producer's first year of farming and the producer did not complete a production cycle and/or 12 months of farming activity, the Administration may create a margin for the year even where farming income (or loss) was reported for income tax purposes.

2.2.5 Multiple Operations

Each individual or entity that reports farming income (or loss) for income tax purposes is required to participate in the program separately. If you are involved in **multiple farming operations**, you must submit program forms for each operation, and assign a different operation number for each one (1, 2, 3, etc.). This number is used on your AgriStability applications to identify your operations. It is important that each operation uses the same operation number from year to year.

2.2.6 Bankruptcy

An individual or entity that has declared bankruptcy in the Program Year may participate through the Trustee in Bankruptcy. If you declare bankruptcy after applying for AgriStability, it is your responsibility to ensure the Administration is notified of the bankruptcy. Applicants in bankruptcy are eligible for the AgriStability program if you meet the normal eligibility requirements of the program. The Trustee in Bankruptcy is assigned the responsibility of managing all the assets and liabilities of the bankrupt party, including AgriStability payments, until the bankruptcy is discharged. The Trustee may access your information subject to the provisions of the *Privacy Act*. It is the responsibility of the Trustee to notify the Administration of the bankruptcy, and to provide the Administration with instructions regarding the payment.

In all cases, the Administration will ask the Trustee to provide documentation supporting the accounts payables.

- If a bankruptcy has not been discharged, the Administration will include all allowable payables in the Program Year Margin (unless the Trustee provides other information).
- If a bankruptcy has been discharged, only those payables satisfied by the bankrupt estate (Trustee), in part or in whole, will be included in the Program Year Margin. Any payables or portion of payables not

reimbursed to creditors will not be allowed. This ensures the AgriStability program is not paying the applicant for debts which have ceased to exist. The Trustee must provide documentation supporting the amounts actually paid to all creditors.

The Administration will provide notice to the Trustee and the applicant of amounts payable to the applicant. In most cases, the Administration will direct payments to the Trustee. A cheque will only be sent to an applicant if:

- the bankruptcy is not known to the Administration;
- the Trustee confirms in writing that the AgriStability benefit is not part of the bankrupt estate;
- the Trustee has been discharged of their duties, and has provided documentation of their discharge.

2.2.7 Multi-Jurisdiction

If you live and farm in different provinces or if you earn farming income in more than one province, you must participate in the province where your main farmstead is located. Your province of main farmstead is the province where all or the majority of your gross farming income was earned in the reference years, subject to any adjustments. For more information on reference years, see Section 3.5. You may not participate in more than one province.

2.2.8 Government Funded Institutions

Research stations, universities, colleges, municipalities, and other government-funded institutions are not eligible to participate in the AgriStability program. In cases where an organization has received government funding in prior years, or is directly funded by an organization that is government funded, eligibility is determined on a case-by-case basis.

2.2.9 Deceased Participants

The estates of deceased participants are eligible to participate provided they meet all of the eligibility requirements. These requirements may be met through a combination of activities performed by the deceased participant and their estate. The executor/executrix must notify the Administration of the participant's death.

In the case of deceased participants, the filing of more than one income tax return may be involved. The Program Year Margin for deceased participants for the Program Year in which the death occurs will be based on their final return (start of Program Year to the date of death), plus any return filed from the date of death to the end of the Program Year. Any inventory, deferred income or accounts receivable, and accounts payable existing at the date of death (or at the end of the fiscal period if more than one return is filed) shall be accrued to the final return. If, in addition to the final return, an optional return for the year of death for a deceased participant is filed (such as a return of rights and things), this information must be submitted to the Administration. Where the death of a participant results in less than 12 months of income and expenses being reported in the Program Year, the Program Year will be treated as a stub period (see Section 4.2).

A beneficiary whose farming operation consists of all or most of the deceased participant's farming operation may be considered as continuing to operate the same farming operation as the deceased. If there is more than one beneficiary, a common business arrangement must be created to carry on the same farming operation as the deceased participant in order to retain the reference history.

In order to close estate accounts, the Administration may require the executor/executrix to submit the following documentation:

- a written request to close the account signed by the executor/executrix or administrator;
- a certified copy of the probated will or letters of administration/probate; and
- a certified copy of the death certificate.

3.0 How AgriStability Works

3.1 Enrolment Notice

In order to participate in AgriStability for a Program Year, you must be issued an Enrolment Notice (EN). The EN provides you with the information you need to pay the related program fee. Your EN will also provide you with the opportunity to end your participation in the program. If you receive an EN, you must contact the Administration prior to the deadline on your EN if you want to end your participation. If you do not contact the Administration prior to the deadline on your EN, you will be automatically enrolled and required to pay the program fee and any related penalties for that year.

3.2 AgriStability ACS & Program Fee

All participants are required to pay an annual Administrative Cost Share (ACS) of $55. If you do not pay your ACS, it will be automatically deducted from your Program Year benefit. If no Program Year benefit is calculated, the outstanding ACS amount will be carried forward and deducted from any benefits in future Program Years.

In addition to the ACS, you must pay an annual program fee. Here is some important information about the AgriStability program fee:

- The initial (non-penalty) deadline to pay your fee is identified on your Enrolment Notice (EN). If you do not pay your fee in full by that date, a penalty equal to 20% of your fee will be applied. The non-penalty deadline for most participants is April 30 of the Program Year.
- You have to the later of December 31 of that year, or 60 days from the date of your EN to pay your fee with penalty. If you do not pay your fee in full by that date, you will be ineligible for benefits for the Program Year. Any benefits you received for this period will have to be repaid.
- Any unpaid fees and fee penalties will be recovered from future program benefits.
- Your fee is based on your Contribution Reference Margin (CRM). The CRM is based on the Reference Margin for the previous Program Year and includes adjustments for structural change and whole farm combining. As a result, the margins used to calculate your fee will differ from those used later to calculate your Reference Margin. The Reference Margin Limit (see section 3.5.2) will not be applied in the calculation of the CRM.
- The maximum fee to protect your farming operation is .45% of your CRM ($4.50 for every $1,000.00 of protected Reference Margin) multiplied by the 70% support level.
- Any adjustments made to your Reference Margin after the calculation of your fee will not result in a change to your fee.
- There is a minimum fee of $45.00 (plus the $55.00 ACS). Your fee plus your ACS is identified on your EN as the Total Fee Amount (TFA).

Fee Calculation Example:

CRM	$100,000
x 0,45%	$450
x 70%	$315
+ 55 $ ACS =	$370 TFA

3.3 How Payments are Calculated

- An AgriStability payment is triggered when your Program Year Margin declines more than 30% below your Reference Margin. See Sections 3.4 and 3.5 for details on Program and Reference Year Margins.
- The amount of the payment is determined by the extent of your margin decline, subject to the Reference Margin Limit. See Section 3.5.2 for details on the Reference Margin Limit.
- Government funds provide coverage for 70% of a producer’s margin decline.
- The program measures the extent of your decline on both your positive margin and any negative margin. See Section 3.6 for details on Negative Margins.
- See Section 3.7 for Sample Payment Calculations.

NOTE: The maximum benefit a participant can receive is $3 million.

3.4 Program Year Margin

The Program Year is the year for which you are enrolled, and is determined by the calendar year in which your fiscal year ends. Your Program Year Margin is calculated by subtracting your total allowable expenses from your total allowable income you reported to the Canada Revenue Agency (CRA) for the Program Year. If you reported to the CRA on the cash basis, your Program Year Margin is adjusted for changes in purchased inputs, crops and livestock inventories, and your accounts payable and receivable. These adjustments ensure that the Administration has the most complete picture of your farm's income situation during the Program Year. Crop and livestock inventories are valued using the P1/P2 Hybrid Inventory Valuation method.

The example below shows how changes in your inventories, payables, receivables and purchased inputs will be factored into the calculation of your Program Year Margin:

Allowable Income	Allowable Expenses	Margin
$130,000	$90,000	$40,000
	+ Net increase (decrease) in purchased inputs	$1,000
	+ Net increase (decrease) in accounts receivable and deferred income	($6,000)
	+ Net decrease (increase) in accounts payable	$4,500
	+ Net increase (decrease) in crop inventory	($1,000)
	+ Net increase (decrease) in livestock inventory	($3,500)
	= Program Year Margin	**$35,000**

3.4.1 Method of Accounting

Participants must report to AgriStability using the same method of accounting (cash or accrual) used to report for income tax purposes.

3.4.2 P1/P2 Hybrid Inventory Valuation

Crop and livestock inventories for market commodities are valued using both a start-of-year price (P1) and end-of-year price (P2), referred to as the P1/P2 Hybrid Inventory Valuation method. With this method, changes in the value of your crop and/or livestock inventories will reflect changes over the course of the fiscal period, and variations in the price of each commodity between the beginning and end of your fiscal period. Breeding animals and culled breeding animals, which are not considered market commodities, are valued using a P2 price only. Perishable commodities are valued on a receivables basis.

If you reported to the CRA on the accrual basis, any livestock inventory values you reported will be adjusted to ensure the value of breeding animals and culled breeding animals reflects a P2 price only.

3.4.3 Valuing Your Inventory

To value your inventory for the Program Year, the Administration will use End of Year Prices (EYPs) for those published commodities that have significant market data available in your province or territory, as outlined in the AgriStability Price List that is available on request or can be downloaded from the Administration's web site. If you do not feel that the EYPs in the AgriStability Price List are appropriate for your farm, you may use EYPs other than those in the AgriStability Price List **only** if you can demonstrate that:

- your commodity is substantially different than the commodity listed on the published price list; or
- your method of marketing the commodity was substantially different from the general marketing practice reflected in the published price list.

In either of these cases, you may use EYPs based on sales or purchases of the specific commodity in your name and occurring within 30 days either before or after your fiscal year-end. For your own EYPs to be accepted you must send copies of receipts and/or supporting documents that substantiate these EYPs to the Administration. The Administration reserves the right to determine whether submitted EYPs are reasonable for all of your inventory.

To value unpublished commodities (e.g. thinly traded commodities) that do not appear on the AgriStability Price List, you **must** provide EYPs based on the estimated market prices at year-end. Prices supplied for unpublished commodities should be based on sales or purchases within 12 months either before or after your fiscal year-end. Although it is not mandatory to provide documentation supporting your prices for these commodities, doing so will assist the Administration processing your application. Supporting documentation includes:

- receipts from sales or purchases of the commodity; or
- commodity specific price information from appropriate commodity marketing agencies.

Any supporting documents should be sent to the Administration at the same time you are submitting your forms to the Winnipeg Tax Centre (or to the Administration if you are a Status Indian) or within your adjustment time frame.

3.4.4 Pooled Commodities

The CWB's marketing monopoly on wheat and barley was removed August 1, 2012, allowing producers to sell their wheat and barley on the open market or voluntarily sell into a commodity pool through the CWB or other agents.

The removal of the CWB monopoly results in changes to the treatment of wheat and barley commodities for the AgriStability program. For more information on how to report your pooled commodities, refer to the AgriStability Forms and Guide, available on the AgriStability web site at **www.agr.gc.ca/agristability** or contact the Administration at **1-866-367-8506**.

3.5 Reference Margin

Your Reference Margin is based on an average of your previous five years, with the highest and lowest margin years dropped. This is referred to as an 'olympic average'. If you did not farm and did not report farm income (or loss) to the CRA in each of the previous five years, your Reference Margin will be based on your previous three years. If you did not farm and did not report farm income (or loss) to the CRA in one or more of the three years prior to the Program Year the Administration will establish margins for the missing years (see Section 2.2.4).

Your Reference Margin may also be adjusted to reflect any structural change that occurred on your farm (see Section 4.3 Structural Change). The Administration then compares your adjusted Reference Margin to your Program Year Margin to determine the extent of your income increase or decrease.

Starting in the 2013 Program Year, your reference margin may be subject to a limit. This limit is calculated as the lower of your actual reference margin, or the average of your allowable expenses in the years used to calculate your reference margin (subject to structural change adjustments). See Section 3.5.2 for details on the Reference Margin Limit.

3.5.1 Accrual Adjustments in the Reference Margin

Your Reference Margin is adjusted for changes in purchased inputs, crops and livestock inventories, accounts payable and receivable from the beginning of your first reference year to the end of your last reference year. Changes in livestock and crop inventories are valued using the P1/P2 Hybrid Inventory Valuation method. For more details on the P1/P2 Hybrid Inventory Valuation method see Section 3.4.2.

The following example illustrates the calculation of a Reference Margin. The shaded years (with the highest and lowest margins) are dropped from the calculation, leaving the remaining three years to be averaged:

Reference Year	Allowable Income	Allowable Expenses	Accrual Adjustments	Margin
1	$140,000	$80,000	$20,000	$80,000
2	$90,000	$50,000	($10,000)	$30,000
3	$140,000	$60,000	$20,000	$100,000
4	$190,000	$65,000	($5,000)	$120,000
5	$200,000	$90,000	$15,000	$125,000
		Total =		**$300,000**
				Divided by 3
		Reference Margin =		**$100,000**

3.5.2 Reference Margin Limit

Starting in the 2013 Program Year, payment calculations will be based on the lower of:

- your Reference Margin, or
- your average Allowable Expenses in the years used to calculate the Reference Margin

Note: For reference years that were reported on a cash basis, expenses will be adjusted to reflect changes in accounts payable and purchased inputs.

If you have structural change adjustments applied to your Reference Margin, the average expenses used to calculate the limit (if applicable) will also have structural change adjustments applied. Generally speaking, the Administration will use the same method for both structural change adjustments. See section 4.3.1 for details on structural change and the reference margin limit.

3.6 Negative Margins

Negative margins are protected under the AgriStability program. A negative margin occurs when your allowable expenses exceed your allowable income after taking in to consideration accrual adjustments and structural changes for a Program Year.

If your Program Year Margin is negative, you may be compensated for up to 70% of the portion of your margin decline that is below zero (or below your reference margin, where it is also negative) provided it does not exceed the maximum program payment which is $3 million.

Negative margins are protected at 70%. You do not have to apply separately for negative margin protection.

Negative margins are automatically calculated by the Administration when you submit an AgriStability application.

You may be eligible for a negative margin payment if:

- you have a positive reference margin, or
- your reference margin is negative and you meet the following condition:
    - 2 of 3 production margins used to calculate your reference period must be positive.

In addition:

- you must have followed sound management practices; and
- the negative margin must have occurred because of reasons beyond your control.

The example below outlines the calculation where your Program Year Margin is negative, and your reference margin is positive:

Program Year Allowable Income	Program Year Allowable Expenses	Negative Margin
$100,000	$160,000	-$60,000
		x 70%
	= Negative Margin Benefit	**$42,000**

The next example outlines the calculation where your Program Year Margin is negative, and your reference margin is also negative.

Negative Reference Margin	Negative Program Year Margin	Margin Decline
–$5,000	–$8,000	$3,000
		x 70%
	= Negative Margin Benefit	**$2,100**

Deemed Production Insurance Benefit: Although participation in AgriInsurance is not required to receive an AgriStability payment, your negative margin payment may be reduced if you did not participate in AgriInsurance. If AgriInsurance was available, and you did not insure all of your insurable commodities at the 70% level, your negative margin benefit will be reduced. The Administration will obtain the indemnity figure you would have received if you had participated in AgriInsurance from your provincial AgriInsurance agency. The AgriInsurance premium that you would have paid will be deducted from this amount to determine your *Deemed AgriInsurance Benefit*. Your negative margin benefit will be reduced by 70% of the *Deemed AgriInsurance Benefit*.

3.7 Sample Payment Calculations

The following examples show the basic payment calculation for positive and negative margin payments, with and without the Reference Margin Limit.

1. Positive Margin Payment where Reference Margin Limit is not applied.

A Reference Margin	$100,000
B Average Allowable Expenses from Three Years Used in Reference Margin	$120,000
C Reference Margin for Benefit Calculation (Lower of A or B)	$100,000
D Payment Trigger Level (C x 70%)	$70,000
E Program Year Margin	$0
F Decline (D - E)	$70,000
AgriStability Benefit (F x 70%)	**$49,000**

2. Negative Margin Payment where Reference Margin Limit is not applied.

A Reference Margin	$100,000
B Average Allowable Expenses from Three Years Used in Reference Margin	$120,000
C Reference Margin for Benefit Calculation (Lower of A or B)	$100,000
D Payment Trigger Level (C x 70%)	$70,000
E Program Year Margin	-$20,000
F Decline (D - E)	$90,000
AgriStability Postive Margin Benefit ($70,000 x 70%)	**$49,000**
AgriStability Negative Margin Benefit ($20,000 x 70%)	**$14,000**
AgriStability Total Benefit	**$63,000**

3. Positive Margin Payment where Reference Margin Limit is applied.

A Reference Margin	$80,000
B Average Allowable Expenses from Three Years Used in Reference Margin	$50,000
C Reference Margin for Benefit Calculation (Lower of A or B)	$50,000
D Payment Trigger Level (C x 70%)	$35,000
E Program Year Margin	$20,000
F Decline (D - E)	$15,000
AgriStability Benefit (F x 70%)	**$10,500**

4. Negative Margin Payment where Reference Margin Limit is applied.

A Reference Margin	$80,000
B Average Allowable Expenses from Three Years Used in Reference Margin	$50,000
C Reference Margin for Benefit Calculation (Lower of A or B)	$50,000
D Payment Trigger Level (C x 70%)	$35,000
E Program Year Margin	-$20,000
F Decline (D - E)	$55,000
AgriStability Postive Margin Benefit ($35,000 x 70%)	**$24,500**
AgriStability Negative Margin Benefit ($20,000 x 70%)	**$14,000**
AgriStability Total Benefit	**$38,500**

4.0 Calculation of Program Margins

4.1 Allowable and Non-Allowable Items

To be allowable, income and expenses must be directly related to the primary production of agricultural commodities. The following table provides some examples of allowable and non-allowable income and expense items.

Allowable Income	Non-Allowable Income
Agricultural Commodity Sales	Agricultural Contract work
Rebates for Allowable Expenses	Business Risk Management and Disaster Assistance Payments
Wildlife Damage Compensation Payments	Other Program Payments *
AgriInsurance Proceeds	Rebates for Non-Allowable Expenses
Private Insurance or Other Proceeds for Allowable Income and Expense Items and Unsubsidized Hail Insurance	Patronage Dividends
Premium Adjustment Payments (reference years only)	Interest
CFIA Payments (where reportable as farm income for tax purposes and calculated based on the replacement value of allowable items)	Gravel
	Trucking
	Machinery Rental
	Leases
	Resales of Commodities Purchased

Allowable Expenses	Non-Allowable Expenses
Commodity Purchases	Machinery Repairs
Containers and Twine	Agricultural Contract Work
Fertilizer and Lime	Advertising and Marketing costs
Pesticides	Building and Fence repairs
Insurance Premiums (crop production)	Other Insurance Premiums
Veterinary Fees, Medicine, A.I. fees	Memberships/Subscription Fees
Minerals and Salts	Legal and Accounting Fees
Machinery (gasoline, diesel fuel, oil)	Non-Arm's Length Salaries
Electricity	Office Expenses
Freight and Shipping	Motor Vehicle Expenses
Heating Fuel	Small Tools
Arm's Length Salaries	Soil Testing
Storage/Drying	Licenses/Permits
Prepared Feed	Telephone
Insurance or Other Premiums for Allowable Income and Expense Items	Machinery Lease/Rental
Commodity Futures Transaction Fees	Land Clearing and Draining
Commissions and Levies	Interest (real estate, mortgage, other)
Trucking (eligible commodities to market or eligible inputs to the farm)	Property taxes
	Rent (land, buildings, pastures)
	Quota Rental (tobacco, dairy)
	Gravel
	Purchases of Commodities Resold
	Motor Vehicle Interest and Leasing Costs
	Allowance on Eligible Capital Property
	Capital Cost Allowance
	Mandatory Inventory Adjustments (prior year)
	Optional Inventory Adjustments (prior year)
	Other

* Payments received from programs other than AgriInsurance are generally considered non-allowable income for program purposes. However, certain program payments may be considered allowable in the Program Year and non-allowable in the reference years if they compensate you for a loss that is covered by AgriStability.

Additional Non-allowable Items:

- Income and expenses related to aquaculture;
- Sales and purchases related to a peat moss operation (see Section 4.1.4);
- Trees produced for use in reforestation (see Section 4.1.5);
- Income and expenses related to operation of a wild game reserve (see Section 4.1.6)
- Resales and some processed commodities (see Section 4.1.7);
- Farming activities outside of Canada (see Section 4.1.8).

Any income or expenses that are not substantiated by a verifiable explanation, or those considered by the Administration to be unreasonable, may be adjusted or considered non-allowable. Please review sections 4.1.1 to 4.1.8 for more information on allowable and non-allowable items.

4.1.1 Contract Work

All contract work/machine rental income and expenses are considered non-allowable for AgriStability (with the exception of expenses for trucking used to transport eligible commodities to market or eligible inputs to the farm). Contract work includes: custom seeding, spraying/harvesting, cleaning, snow plowing, gravel hauling, contract welding, oilfield services, non-agricultural trucking, land clearing, logging, building, and construction. Income generated from these services is excluded from the AgriStability program production margin calculations. In addition, to account for the portion of allowable expenses that relate to contract work income, an amount equal to 30% of reported contract work income is deducted from allowable expenses. If the 30% ratio does not reflect the ratio on your farm, you can request that the Administration use a different expense ratio. The Administration may request supporting documentation to substantiate your expense ratio.

Note: The 30% contract work adjustment will be applied to expenses prior to calculation of the reference margin limit.

In cases where contract work expenses include amounts for arm's length labour or production input costs, the portion of these expenses will be allowable under the program if they are itemized separately on your financial statements submitted with your income tax return (or on other documentation as requested by the Administration). Where there is a discrepancy in the method used to report these expenses in the Program Year and reference period, the reference period reporting will be adjusted to reflect the method used in the Program Year. This ensures an accurate comparison of your Program Year and Reference margins.

Custom Feeding Operations: In order for income and expenses from a feeding operation to be considered allowable, the operation must have made an appreciable contribution to the growth and maturity of the livestock. In the case of cattle, an appreciable contribution is made when the animals are fed for at least 60 days, or gain an average of at least 90 kilograms. If you are custom feeding, you must grow or purchase the feed used in the operation.

Operations are not considered to have made a contribution to the growth and maturity of the livestock, and the corresponding income and expenses are therefore non-allowable, if they are:

- acting as an agent or broker for the sale of livestock;
- buying livestock for short term resale; or
- assembling and preparing livestock for shipment.

Income and expense amounts reported as custom feeding must be limited to allowable income and expense items. For example, for income based on feed plus yardage charges, the feed portion would be considered allowable, while the yardage fees are not.

For cattle, an amount equal to 5% of reported custom feeding income is deducted to account for yardage fees. If the 5% ratio does not reflect the ratio on your farm, you can request that the Administration use a different yardage ratio. The Administration may request supporting documentation to substantiate your yardage ratio.

Custom Grazing Operations: The income and expenses for custom grazing are allowable where the participant can demonstrate that the transaction is for custom grazing and not pasture rent. The Administration may require a copy of a written agreement between the livestock owner and the pasture owner to support that income and expenses are for custom grazing. In a custom grazing operation the operator actively manages the forage resources of the land base in contrast to renting out pastureland to a livestock owner. To be allowable, the associated income and expense must be reflective of a reasonable feed volume for the animals on pasture.

4.1.2 Labour Expenses

Arm's length salaries (those paid to parties to whom you are not a Related Person) are considered allowable under the AgriStability program. Any salaries that are disproportionately high in the Program Year relative to the reference period may be adjusted, or deemed non-allowable, unless a verifiable explanation for the expense is provided.

Non-arm's length salaries (those paid to parties to whom you are a Related Person, including management fees paid to the shareholders of a corporation) are non-allowable expenses for AgriStability. For a definition of Related Persons see Section 8.0 Glossary of Terms.

4.1.3 Commodity Futures

Income and expenses from futures market transactions (including options and forward contracts) are allowable as part of a hedging strategy providing:

- your futures transactions were undertaken in commodities produced and/or consumed on your farm, or in those that would be considered a proxy for that commodity (e.g. if you do not grow or feed grain you could not include wheat futures transactions as an allowable income and/ or expense);
- your futures transactions represent a volume of product that could either be reasonably produced and/or consumed on the farm, or would be considered a proxy for that commodity (e.g. if you grow 500 acres of corn, but undertook futures transactions equivalent to 1,000 acres of corn, you could not include those transactions in excess of what was produced on the farm).

4.1.4 Peat Moss

Sales and purchases related to a peat moss operation are non-allowable. However, if you are purchasing peat moss as a soil supplement, this is considered an allowable expense under the AgriStability program, and can be reported as a fertilizer and soil supplement expense under line code 9662.

4.1.5 Trees and other Non-Edible Horticulture

Allowable items: Allowable tree production (excluding the non-allowable items listed below) must be generated through farming activity to be allowable under AgriStability. Farming activity includes the planting, nurturing and harvesting of trees, with significant attention paid to managing the growth, health, and quality of the trees. This activity can involve the regular seeding and harvesting of trees, shrubs, herbaceous perennials, or annuals, including ornamental, fruit, and Christmas trees. These operations incur normal input and harvesting costs and the crop is considered an agricultural commodity. The income and expenses associated with these commodities is allowable, and they should be included as inventory on your AgriStability application.

Non-allowable items: Income, expenses, and inventories related to the production and/or harvesting of trees for use as the following are non-allowable under AgriStability and will not be included in program margin calculations, regardless of the activities used to produce them:

- firewood
- construction material
- poles or posts

- fibre, pulp and paper
- trees and seedlings destined for use in reforestation

4.1.6 Horses and Other Livestock

Income from the primary production of horses (including PMU sales) is allowable if claimed as farm income for tax purposes.

Income received from the buy-out of PMU contracts is allowable if it was paid in lieu of the commodity income that would otherwise have been received under the contract. Income that was not paid in lieu of commodity income, such as penalty fees, is non-allowable.

The following list identifies some examples of allowable and non-allowable items resulting from the buy-out of a PMU contract:

Allowable	Non-Allowable
PMU Collection Agreement (grams x rate)	Rancher's Payment
West Nile Reimbursement	Business Planning Subsidy
Herd and Health payment	Capital Costs
Equine Placement Fund (voluntary, but not always selected)	

Income from the sales and purchases of domesticated livestock in the operation of a hunt farm (where permitted by law) are allowable excluding amounts related to any ancillary services (e.g. food, lodging, hospitality, etc.).

Prize money from the showing of livestock in agricultural events such as fairs or expositions is considered agricultural and is therefore allowable income, providing it is incidental to the total farming income of your operation.

Income and expenses related to the operation of a wild game reserve, which keeps wild animals for the purpose of viewing or penned hunt, are considered non-allowable for AgriStability.

Income from training or boarding horses and prize money or purses from racing horses/other livestock are considered non-agricultural and therefore non-allowable for AgriStability and should be reported separate from farming income.

4.1.7 Processing and Resales

Processing is defined as changing the state of the commodity (e.g. milk to cheese, strawberries to jam, beeswax to candles, beef to beef jerky, grain to flour) or adding value to a commodity without changing its state (alfalfa to alfalfa pellets).

For the AgriStability program, income from processing is allowable if the following conditions have been met:

- the commodities processed were produced on your agricultural operation; and,
- the income and expenses were reported by you, the participant, to the CRA as farming income or loss.

Resales are defined as the buying and selling of a commodity not grown by the producer (for example, buying wheat seed and reselling it without the process of planting and growing the commodity). Some resales include processing of a commodity while other resales do not. A commodity may be considered a resale if the producer has not made an appreciable contribution to the commodity's growth or increase in its value, as determined by the Administration (for example, if feeder cattle is purchased and then resold prior to gaining at least 90 kg). The income and expenses associated with resales are non-allowable for the AgriStability program.

4.1.8 Farming Activities outside Canada

Income and expenses generated from farming activities outside Canada are non-allowable. However, income from commodities taken to a finished or marketable state within Canada, and subsequently sold outside Canada, are allowable.

In the event that a commodity is produced in Canada and then shipped outside of Canada for further production, the income and expense generated once the commodity has left Canada is non-allowable. It is possible however that the commodity may return to Canada for further production or sale, in which case the income and expense generated once the commodity reenters Canada is allowable.

4.2 Fiscal Periods Greater or Less than 12 Months

If your Program Year Margin or any of your reference period margins represents less than a full year of operation (i.e., a stub period), the information for the stub period will be combined with information from prior fiscal periods until a minimum period of 12 months is available. The combined income and expenses will be prorated to reflect a 12 month period. Separate income statements for all combined periods must be reported.

If a fiscal year spans more than 12 months, and reflects more than the normal amount of income and expenses, the Administration will prorate the fiscal year to represent a 12 month period.

In cases where your farming operation has a fiscal year other than 12 months, and within that fiscal year the number of production cycles completed is consistent with the number of production cycles completed in each of the reference years, the Administration may consider the fiscal year to constitute a normal fiscal period. In these cases the Administration may not combine the information with prior fiscal periods and proration may not be necessary.

If your Program Year includes more than one fiscal year-end, the Administration will combine both fiscal periods and prorate to reflect a 12 month period. Any AgriStability benefit will be based on this prorated amount.

Changing your fiscal year end may affect which Program Year your operation is eligible to apply for, if your stub period results in a Program Year with less than six months of production or no production cycle.

Note: Any applicant with a fiscal period of less than 6 months in the Program Year will not qualify for an AgriStability benefit.

4.2.1 Section 85 Rollovers

In the year of formation, if the fiscal periods of both the new and old operations end in the same calendar year, information from both operations is required in order to combine the two operations to determine AgriStability eligibility and benefit.

Where the first fiscal period of a new operation is less than 12 months, the last fiscal period of the old operation and the first fiscal period of the new operation may be combined and converted to a 12 month period. This would occur when a proprietorship or partnership has formed a corporation and changes to a different year-end for the new operation. The Administration may consider a fiscal period of less than twelve months to constitute a full Program Year if the number of production cycles completed in that period is consistent with the number completed in each reference year. Prorating would not be necessary in this case.

4.2.2 Shell Corporations

If your operation reports income and expenses to the CRA through a shell corporation, your program and reference years will be based on the information as reported to the CRA via the shell corporation. This includes but is not limited to the determination of eligibility, calculation of margins, and establishing the start and end dates for fiscal periods in program and reference years.

4.3 Structural Change

A structural change may occur when there is a change in ownership, business structure, size or location of operation, farming practices, type of farming activity, method of accounting, or any other practice that may alter your production margins.

When you change the structure of your farm, adjustments are made to your Reference Margin so it more accurately reflects your farm in the Program Year. This ensures that the comparison between your Reference Margin and your Program Year Margin is an accurate measurement of any income decline on your farm.

Note: Structural changes made for the purpose of maximizing or receiving a payment will not be recognized. The onus is on the participant to substantiate that changes have been made for sound business reasons.

Structural changes are measured on the basis of your farm's productive capacity. For livestock, productive capacity is measured according to the type of livestock being produced (e.g. number of animals fed on a cattle feeder operation). For crops, productive capacity is measured by productive acres (e.g. those already producing a crop, or that will be productive in its first year). A crop which cannot normally be harvested in its first year, or in the Program Year, may not be included in the productive capacity of your farm.

Those experiencing a structural change representing at least 10% and $5,000 change to their margin will be subject to the structural change adjustment.

To calculate the structural change for your farm, a Benchmark per Unit (BPU) margin is used. A BPU is the margin calculated from commodity specific economic data for a particular region. BPU margins represent the average return per unit of productive capacity for a commodity, after factoring in all the allowable income and expenses associated with producing that commodity.

Calculation of Standard Structural Change Adjustment

Your reference margins will be adjusted using the ratio method, which is based on your own farm's performance, rather than only industry averages. This method ensures a more accurate reflection of what your margin would have been, had the operation been the same size or type in the reference years as in the Program Year.

When using the ratio method, the structural change is calculated as follows:

1. For each year in the reference period, the number of productive units (for each commodity or for commodity groups established by the Administration) in that year will be multiplied by the BPU in that reference year for that commodity or commodity group. A benchmark production margin for each reference year will be established in this manner.
2. For each year in the reference period, the number of productive units (for each commodity or commodity group) in the current Program Year will be multiplied by the BPU in that reference year for that commodity or commodity group. A benchmark production margin for each reference year will be established in this manner.
3. The benchmark production margin calculated in (2) will be divided by the benchmark production margin calculated in (1).
4. The ratio calculated in (3) will be multiplied by the actual production margin for that reference year.

The ratio method increases or decreases the production margins in the reference period by the same percentage that units have changed (e.g. if a producer's acres increase by 50%, the reference year production margin is multiplied by 1.5).

Where the standard structural change adjustment cannot be calculated or the standard structural change adjustment does not accurately reflect the structural change of your farming operation, alternate methods of calculating structural changes may be applied by the Administration.

The Administration will apply structural change adjustments to the production margin of each reference year prior to calculating the olympic average Reference Margin but after any whole farm adjustments (see Section 4.4).

4.3.1 Structural Change and the Reference Margin Limit

If you have structural change adjustments applied to your reference margin, the average expenses used to calculate the Reference Margin Limit (if applicable) will also have structural change adjustments applied. See section 3.5.2 for details on the Reference Margin Limit.

Using the standard method, the structural change adjustment will be applied to your average Allowable Expenses as follows:

1. For each reference year used to calculate the Reference Margin, the number of productive units in that year will be multiplied by the expense portion of the BPU in that reference year for that commodity or commodity group. A benchmark level of expenses for each reference year will be established in this manner.
2. For each reference year used to calculate the Reference Margin, the number of productive units in the current Program Year will be multiplied by the expense portion of the BPU in that reference year for that commodity or commodity group. A benchmark level of expenses for each reference year will be established in this manner.
3. The benchmark expense level calculated in (2) will be divided by the benchmark expense level calculated in (1).
4. The ratio calculated in (3) will be multiplied by the actual level of expenses for that reference year.
5. The adjusted expenses for the three years will be averaged, and compared to the structurally adjusted reference margin. The lower of these two will be used as the reference margin for benefit calculations.

4.3.2 Structural Change and Disaster Circumstances

The structural change adjustment may be waived if a structural change was the result of disaster circumstances. The Administration assesses situations on a case-by-case basis to ensure that all relevant factors affecting production are considered. Where disaster circumstances have occurred and compensation is received for lost productive capacity, it is considered allowable income under the program if it is received in lieu of normal farm income, or as an allowable program payment. When assessing whether a structural change may be waived due to disaster circumstances, the Administration will apply the following criteria:

- Disaster circumstances are those which occur for reasons outside your control. For example, flooding and depopulation of livestock due to disease would be outside the producer's control. Disaster circumstances generally do not include circumstances arising from your health or business decisions.
- Where the nature of the disaster is such that your productive capacity **can** be restored, the structural change will be waived for such time as is reasonable for restoration to take place.
- Where the nature of the disaster is such that your productive capacity **cannot** be restored, or restoration would be economically unfeasible, the structural change will be waived for such time as is reasonable for the producer to develop alternative capacity. A reasonable time period would generally not exceed one year.

4.4 Combining Operations/Whole Farm Approach

Where participants cannot demonstrate the legal, financial, and/or operational independence of two or more operations, even though the operations report separately for income tax purposes, the operations will be considered a Whole Farm and will have their financial information combined for the purposes of determining any AgriStability benefit. This ensures that AgriStability benefits are directed to farming operations that have experienced an income decline beyond their control. Your farm financial information may be combined with information from a non-participant if it is determined that you and the non-participant are part of the same Whole Farm. Each participant's payment is calculated based on their share of the combined operation's benchmark margin. If you are combined with a producer who is not eligible for/not participating in the AgriStability program, you will receive only your portion of program benefits.

Generally, operations are combined when:

- the operations are not legally, financially or operationally independent; or
- all or some of the transactions between the operations are above or below fair market value.

A) Independence of Operations: The Administration will assess the legal, financial, and operational independence of operations. This may include, but is not limited to, establishing whether each operation is reporting reasonable amounts of allowable income and expenses. If one operation is claiming more or less than the proportionate amount of total allowable income or expenses, the operations may be combined.

The following are examples of operations that will not be considered independent of one another:

- Operations where transactions cannot clearly be assigned to one or the other operation(s) - this may include operations that do not maintain separate books, have commonly held inventory or inputs, or cannot show independent operational viability.
- Operations that are engaged in risk-splitting - this would include operations that farmed as a single operation at any time in the Program Year or Reference Years and subsequently split into two or more operations (except where it can be demonstrated that a permanent division of controlling interest has also taken place).

B) Transactions Not At Fair Market Value: Transactions between all parties must be at fair market value to be included in the calculation of margins. Transactions above or below fair market value may be adjusted by the Administration to reflect fair market value. Where these transactions cannot be clearly defined, the Administration may combine the income and expenses of the participants involved.

4.4.1 Margin Calculations for Combined Operations

If your operation is combined with that of a another Producer, the margin and payment is calculated as follows:

- For each reference year, the allowable income and expenses of all operations are combined to arrive at a production margin for that year.
- Based on the combined production margin for each reference year, a Reference Margin for the combined operation is calculated. The Reference Margin Limit, if applied, will be calculated on the basis of the combined Reference Margin.
- For the Program Year, the allowable income and expenses (including all adjustments for inventories, payables, and receivables) for all operations are combined to arrive at a combined Program Year Margin.
- Each participant is allocated a percentage of the combined Reference and Program Year Margins based on each participant's share of the combined operation's

benchmark margin. The benchmark margin for the combined operation is calculated by multiplying the combined operation's productive units in the Program Year by the average BPU of each unit over the reference years.

4.4.2 Payments for Combined Operations

Total payments for combined operations, regardless of the number of parties, cannot exceed $3,000,000. Margin declines will only be covered once, regardless of the number of parties involved.

4.5 Joining, Leaving, or Splitting Existing Operations

If you have joined, left, or split an operation, you may have all or part of that operation's Reference Margin used in calculating your AgriStability payment. This ensures an accurate measure of any income decline in the Program Year.

4.5.1 Joining or Leaving an Existing Operation

Joining an Existing Partnership: If you have joined an existing partnership, you will be assigned a portion of that partnership's Reference Margin based on your partnership percentage in the Program Year. If you have previous farming history, your existing reference period information will also be included in the calculation of any payment.

Leaving an Existing Business: If you have left an existing operation and continued to farm, you may be assigned all or a portion of that operation's Reference Margin. This will always be the case where:

- you have left a partnership; or
- you have folded a corporation you control and continued to operate a farming business that is substantially the same.

In some circumstances, producers leaving an operation may be considered as beginning farmers. In this case, the Administration will create a Reference Margin. For example, if you leave a corporation without assuming a portion of its productive capacity, and that corporation continues to operate, you may be considered a beginning farmer.

4.5.2 Splitting an Existing Operation

If you are part of an operation that has been split, you will retain a share of that operation's reference history. Where this split represents a permanent division of controlling interest, each producer emerging from the split will be assigned their share of the Reference Margin and assume independent payment under the program. Where this split does not represent a permanent division of controlling interest (i.e. "risk-splitting"), each producer emerging from the split will retain a share of the Reference Margin, and will be combined for payment purposes under the program until each party has accumulated an independent reference history.

5.0 Important Information

5.1 Limits on Government Benefits

The maximum total government benefits that you can receive under AgriStability in a given Program Year is capped at the lesser of $3,000,000, or 70% of the margin decline of your Program Year Margin, relative to your Reference Margin. Any negative portions of the Program Year Margin are included in the calculation of the 70% payment cap.

AgriStability payments for less than $10 will not be issued.

5.2 Ending Your Participation

When you receive your Enrolment Notice for the upcoming Program Year, use the appropriate checkbox to indicate that you do not wish to participate, and submit the tear-off portion by the deadline indicated on the Enrolment Notice. The Administration will also accept notification over the phone, up to and including the Enrolment Notice deadline date (April 30 or 30 days after the issue date, whichever is later).

If you do not notify the Administration by the Enrolment Notice deadline you will be required to pay the ACS, annual fee and any applicable penalties for that Program Year. It is your responsibility to notify the Administration by the applicable deadlines if you wish to rejoin the program in the future.

5.3 Interim and Targeted Advance Payments

The Interim Payment option allows you to access funds prior to the completion of your fiscal period in the Program Year. To be eligible for an Interim Payment, you must have completed a production cycle and six consecutive months of farming activity, and your estimated Program Year Margin must have declined by more than 30%, relative to your Reference Margin. The requirements to complete a production cycle and six months of farming activity may be waived by the Administration if you were unable to complete them in the Program Year due to reasons beyond your control (such as disaster circumstances like flooding or drought).

If the Enrolment Deadline has not passed and the participant has not received an Enrolment Notice, the Administration will consider an application for an Interim Payment as confirmation of participation for the Program Year.

The Interim Payment is based on your estimated margin decline in the Program Year relative to your estimated margin decline in your reference period. To reduce the risk of overpayment, Interim Payments are based on a portion of your estimated final benefit. Interim Payments are generally issued at 50% of your estimated final benefit.

If you receive an Interim Payment, you are required to meet all the AgriStability program participation requirements, including submitting final AgriStability program applications for that Program Year by the established deadline. If you do not, you will be required to repay any Interim Payments you received for that Program Year.

In addition to the Interim Payment, a Targeted Advance Payment (TAP) may be available for designated sectors or regions, subject to the agreement of federal and provincial officials.

A TAP may be made available in years when there is a need for more timely cash flow, where that need can not be addressed effectively and rapidly through the existing Interim Payment process. A TAP may be used in situations of unusual production or market disruption that will have a significant negative financial impact on producers of certain commodities, or those within a specified geographical area. The TAP was not designed to address individual farm situations.

To be eligible for a TAP or Interim Payment, you must have completed a production cycle and six consecutive months of farming activity, and your estimated Program Year Margin must have declined by 30%, relative to your Reference Margin. The requirements to complete a production cycle and six months of farming activity may be waived by the Administration if you were unable to complete them in the Program Year due to reasons beyond your control (such as disaster circumstances like flooding or drought).

If you request both a TAP and an Interim Payment for a Program Year you will be eligible to receive the greater of the two payments.

If you receive a TAP or Interim Payment, you are required to meet all the AgriStability program participation requirements, including submitting final AgriStability program applications for that Program Year by the established deadline. If you do not, any TAP or Interim benefits received will be considered an overpayment and you will be required to pay these benefits back to the Administration.

For more details on Interim Payments and TAP, visit the AgriStability web site or call the Administration toll-free at **1-866-367-8506**.

5.4 Treatment of AgriStability Payments

Payments are subject to the operation of laws relating to estates, bankruptcies, separations, and divorces.

The government benefits received from the AgriStability program cannot be assigned (except for cash advances), deferred or otherwise encumbered.

The following guidelines for the treatment of AgriStability payments are based on the CRA tax guidelines:

- Government benefits paid to you are taxable in the year the cheque is dated.
- Government benefits must be reported as farming income for tax purposes.
- The Administration will issue an *AGR-1 Supplementary - Statement of Farm Support Payments* tax information slip for taxable benefits over $100.

5.5 Audits, Verification and Accuracy of Information

The information on your AgriStability forms will be used for the purposes of administering your participation in the program, determining your eligibility for benefits, verifying the information submitted, as well as for the purposes of administering benefits under other farm income and special assistance programs, and for purposes of audit, analysis, and evaluation of the AgriStability and other farm income and special assistance programs.

By participating in the program, you authorize the CRA to share information from your Statement A with the Minister of Agriculture and Agri-Food, and you authorize the Minister of Agriculture and Agri-Food to share the information on the form and any additional information that you provide as your application is processed, with provincial ministers of agriculture and with the administrators of other federal/provincial farm programs.

Some important information about audits, verification and the accuracy of information:

- You may be subject to audit on a pre or post payment basis by the Administration. Any information obtained through audit or inspection may be made available by the Administration to the CRA.

- If you provide false or misleading information you will be denied a payment for the program, and will be required to repay any payment received. It is a criminal offence to obtain money through wilfully or intentionally providing false information. If you provide any false information or make a false statement to the Administration, or provide incomplete or misleading information, you may be liable for a fine or imprisonment, or both.
- If audit or inspection results in a change to the amount of your AgriStability program benefits, any additional amount will be paid to you and any overpayment will be repayable by you.
- If you do not provide the required information or access to books and records within the specified time frame, you will be denied all or part of the payment for the Program Year or will be required to repay any payment received.
- It is your responsibility to ensure that information supplied to the CRA and the Administration is correct and complete. You must inform the Administration of any changes or corrections to information submitted.
- All participants, including those in the process of an audit or an appeal, must continue to meet all applicable program deadlines in order to be eligible for AgriStability.
- The Administration will not notify you of incorrect tax reporting. The Administration may adjust tax information as necessary for the purposes of calculating program margins, but the Administration cannot make corrections to tax information with the CRA. You may be notified in writing that a correction with the CRA is required in order for your AgriStability program forms to be processed. In this case, you must make the correction with the CRA and notify the Administration by the established deadline.

5.6 Overpayments and Debts Due to the Crown

You will be required to repay any payments received under the program that are in excess of the amount permitted under the guidelines of the program. Interest will be charged 30 days after the date that notification of overpayment is issued. The interest rate used is the 90 day federal Treasury Bill rate plus two percent per annum, adjusted quarterly. Debts owing to the federal and provincial governments may be recovered from amounts payable to you under the AgriStability program.

Debts due to the Crown, including AgriStability Final and Interim overpayments, may be deducted from any monies payable to you. You will be notified of these offsets. Receivables due to the AgriStability program, such as the administrative cost share or program fee, will be deducted from any government benefits payable to you or will be carried forward in the years you do not qualify for government benefits.

5.7 Privacy

The personal and financial information you provide to the Administration will be used only for purposes of processing your AgriStability program application, or as allowed by law (e.g. the *Farm Income Protection Act*, the I*ncome Tax Act*, and the *Financial Administration Act*). Once your AgriStability program application is submitted, the information becomes confidential. Information will only be used as specified on the AgriStability program application or as instructed by you.

Personal information is protected under the Privacy Act and is stored in the Personal Information Bank number AAFC PPU 183. Information is protected from disclosure under Section 20 of the *Access to Information Act*.

6.0 Adjustments

Adjustments must be submitted in writing, directly to the Administration, and be clearly identified as a request for an adjustment.

Adjustments may require supporting documentation and are subject to verification, audit and/or inspection by the Administration. Where adjustments affect taxable income, the Administration may require that the adjustment be accepted by the CRA before it is accepted for program purposes. It is your responsibility to submit to the Administration copies of the Notice of Reassessment issued by the CRA, or notifications of adjustments to information submitted to the CRA for income tax purposes.

If you are reassessed by the CRA, and your revised information affects your AgriStability Margins, you must submit a copy of your Notice of Reassessment to the Administration.

6.1 Adjustments Initiated by Producers

You can request an adjustment to information used in calculating your program benefits for the Program Year (including information used in calculating the reference margin for that Program Year) by submitting a written request to the Administration up to 18 months after notification of your original Calculation of Program Benefits (COB) for that Program Year. Additional benefits will not be paid with respect to any previous Program Year, where the adjustment was submitted outside the 18 month period for that previous Program Year.

If the Administration accepts the adjustment and provides an adjusted COB, adjustments related to changes made to that COB must be made within 90 days after notification of that adjusted COB, or within 18 months of notification of the original Calculation of Program Benefits, whichever is later.

For example:
You receive your original COB dated February 1, 2014. You have until August 1, 2015 to submit an adjustment (18 months from the date on your original COB). You submit an adjustment to your original COB on March 1, 2015, the adjustment is accepted, and a revised COB is sent to you on June 1, 2015. You still have until August 1, 2015 to submit adjustments to your original COB, however you only have until September 1, 2015 (90 days from your revised COB) to submit a change to the information you already adjusted.

If the adjustment you requested is denied, you may submit an appeal within 90 days of being notified of that decision. Otherwise, an adjustment request which has been rejected may not be resubmitted.

Note: *The Administration may accept applications or adjustments after a deadline, where a participant can demonstrate exceptional circumstances prevented them from meeting the deadline. Exceptional circumstances are those that could not have been avoided by the exercise of due care by the producer, or a third party acting on behalf of the producer. Some examples of exceptional circumstances include the serious illness or death of the participant or an immediate family member, or a catastrophic event that prevented the participant from meeting the deadline.*

6.2 Adjustments Initiated by the Administration

Because the Administration is responsible for ensuring that all payments have been issued according to program guidelines and legislation, the Administration is not bound by deadlines in cases of adjustments initiated by the Administration.

6.3 Adjustments to AgriInvest Outside of AgriStability Adjustment Deadlines

If you submit an adjustment to your AgriInvest information within the AgriInvest adjustment deadlines, that information may be used to adjust your AgriStability information, even where the adjustment is outside of AgriStability adjustment deadlines. Any additional benefits resulting from the adjustment to AgriStability will be paid, and any overpayments will be collected.

7.0 Appeals

If you feel that program rules were not correctly applied in the processing of your application you may request a review of the application by the Administration. If the Administration cannot resolve your concerns, your request may be referred to an Appeals Committee. The Appeals Committee will review appeals in accordance with procedures established by the Administration, and the agreements governing the program.

The Appeals Committee reviews cases to determine whether program rules have been applied correctly to your individual circumstances. All recommendations made by the Appeals Committee are considered non-binding.

Note: The Appeals Committee does not have the ability to create exceptions to program policies, such as eligibility criteria or any other provisions included in the Program Guidelines, the Growing Forward Agreement, or the *Farm Income Protection Act*. Therefore, if your appeal pertains to disagreeing with program rules rather than the application of the program rules, it will be denied by the Administration and will not be forwarded to the Appeals Committee.

Appeals must be submitted in writing to the Administration at:

AgriStability Program Appeals
PO Box 2759 Station Main
Winnipeg MB   R3C 4B4

You must submit an Appeals Submission Form within 90 days from the date you were notified (in writing) of the decision you are appealing (e.g. 90 days from notification that your adjustment request has not been accepted by the Administration). The Appeals Submission Form is available on the AgriStability web site at **www.agr.gc.ca/agristability** or by calling the Administration toll-free at **1-866-367-8506**.

Appeal submissions must clearly identify the nature of the appeal and provide sufficient information and documentation to substantiate the appeal. If you do not identify the nature of the appeal and/or provide sufficient information and documentation to substantiate the appeal by the date specified by the Administration, your appeal will not be processed by the Administration.

The Administration may excuse missed deadlines in cases involving exceptional circumstances, where the failure to meet the requirements of the AgriStability program could not be avoided by the exercise of due care by the producer or a third party acting on behalf of the producer. Examples of exceptional circumstances include Acts of God such as flash floods, unscheduled surgery, or the death or serious illness of the participant or an immediate member of the participant's family. When reviewing cases involving exceptional circumstances the length of time prior to the deadline when the events occurred will be taken into consideration.

Appellants, including those who use the services of a third party, are responsible for knowing and following program policies and deadlines.

Note: All participants, including those in the process of an appeal, must continue to meet all applicable program deadlines in order to be eligible for AgriStability.

8.0 Glossary of Terms

Administrative Cost Share (ACS): The annual charge for a Program participant to cover a portion of the Program administration costs.

Agreement: The Federal / Provincial / Territorial Agreement with respect to AgriStability.

Arm's Length Transactions: Transactions between parties that are not defined as Related Persons.

Benchmark Per Unit Margin (BPU): The average production margin associated with producing a particular commodity or commodity group, based on industry standards.

Calculation of Program Benefits: A notice issued by the Administration detailing the calculation of a participant's Program benefits for the Program Year.

CRA: Canada Revenue Agency.

Contribution Reference Margin: The Reference Margin used to calculate the participant's fee for a Program Year.

Disaster Circumstances: Circumstances or events beyond a participant's control, including weather-related natural disasters, fire, and pestilence or disease, but excluding personal medical circumstances.

Enrolment Notice: A notice sent by the Administration setting out the Participant's Contribution Reference Margin and identifying the Participant's fee. You must receive an Enrolment Notice in order to participate in the program.

Entity: A participant other than an individual recognized by law as having rights and duties such as a corporation, cooperative, communal organization, or limited partnerships.

Farming Income: Income derived from farming activities, as defined by the CRA.

Fee: The annual amount participants must pay to secure coverage under the program. The fee amount is equal to is $4.50 for every $1000.00 of Reference Margin protected x 70 percent.

Interim Payment: An advance payment made to a participant based on an estimate of a participant's margin decline in the Program Year, relative to the participant's estimated Reference Margin.

Inventory: The tangible property of a farming business related to the production margin, which may include:

- held for sale (example: harvested grain)
- used for production of saleable goods (example: seed, feed)
- or in the process of being produced (example: standing crops, feeder livestock)

Joint Venture: A written business arrangement between two parties in which each party reports allowable income that reasonably approximates their share of the allowable expenses.

Negative Margin: A margin in which allowable expenses for a given year have exceeded the allowable income after taking in to consideration accrual adjustments and structural changes in that year.

Non-Arm's Length Transactions: Transactions between parties that are defined as Related Persons.

Olympic Average: The average of the production margins for three of the five years immediately prior to the Program Year, where the highest and the lowest margins are excluded.

Perishable Crops: Edible crops that spoil or decay easily and cannot normally be held in fresh storage for periods longer than ten months.

Production Cycle: Includes one or more of the following activities:

- the growing and harvesting of a crop;
- the process of rearing livestock;
- the purchase and/or sale of livestock within a Program Year in the case of feeding or finishing enterprises.

Production Margin: The difference between allowable income and allowable expenses, as defined by Program Guidelines, and subject to the adjustments set out in Program Guidelines.

Program: AgriStability as defined in the Agreement.

Program Forms: The forms prescribed by each Administration for the reporting of required Program Year information.

Program Year: The year for which Program forms are submitted, coinciding with a participant's fiscal period for that tax year.

Program Year Margin: The production margin for the Program Year.

Province of the Main Farmstead: Province where all or the majority of the gross farming income was earned over the reference period subject to any adjustments including consideration of Program Year production units and location.

Related Persons: As defined under the *Income Tax Act*, the following are considered to be Related Persons:

- individuals connected by blood relationship, marriage or common-law partnership, or adoption;
- a corporation and
  - an individual, group of persons, or entity that controls the corporation;
  - an individual, group of person, or entity of a related group that controls the corporation;
  - any individual related to a person described above.
- two or more corporations if:
  - they are controlled by the same individual, group of persons, or entity;
  - an individual or any member of a group of persons or entity that controls one corporation is related to the individual or any member of a group of persons or entity that controls the other corporation.

Sound Management Practices: Are the same management practices that would be followed by any conscientious participant under the same circumstances as determined by the administration.

Status Indian: A person entitled to be registered within the meaning of section 6 of the Indian Act.

Structural Change: A change in ownership, business structure, size of operation, farming practices, type of farming activity, method of accounting, or any other practice that may alter margins and a farming operation's potential for profit.

Stub Period: A fiscal period of less than 12 months.

Whole Farm: Farming income derived from all sources, regardless of the physical location of the farming operation(s).