



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada



Advance Payments Program (APP)

Administration Guidelines
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Canada 

PROGRAM SUMMARY

The Advance Payments Program (APP) is delivered under the *Agricultural Marketing Programs Act* (AMPA). Cash advances delivered under the APP help producers with their cash flow by giving them the flexibility to market their agricultural products when conditions are favourable.

The AMPA provides the authority for two other marketing programs: the Price Pooling Program (PPP), which offers a price guarantee protecting marketing agencies and producers against unanticipated declines in the market price of their products, and the Farm Improvement and Marketing Cooperatives Loans Act (FIMCLA), a program designed to increase the availability of loans for improvement and development of farms and the processing, distribution or marketing of farm products by cooperative associations. Both programs are managed by the Financial Guarantee Programs Division (FGPD) of Agriculture and Agri-Food Canada (AAFC).

The objective of this manual is to assist organizations in making an application and in administering the APP, as well as to clearly outline what is necessary for producers to participate in the program. These administration guidelines apply to the APP only. Information on the PPP can be obtained at <http://www.agr.gc.ca/ppp> and on FIMCLA at <http://www.agr.gc.ca/fimcla>.

If assistance is required concerning technical or administrative aspects of the APP application, please e-mail the Advance Payments Program at ampa@agr.gc.ca.

Should any question of meaning or interpretation arise, the legal interpretation of the Act and the Advance Guarantee Agreement (AGA) between AAFC and an administrator will take precedence. These guidelines are provided to administrators in order to simplify their delivery of the APP and to clarify the parameters of the program.

The information provided regarding the APP is collected for AAFC under the authority of the AMPA to efficiently manage the program. Any personal information provided to AAFC is protected under the provisions of the *Privacy Act* and will be stored in Personal Information Bank Agriculture and Agri-Food Canada/PPU-140. Other information may be accessible or protected as required under the provisions of the *Access to Information Act*.

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1. Advance Payments Program

1.1 Purpose

The purpose of the Advance Payments Program (APP) is to increase marketing opportunities for eligible producers of agricultural products by improving their cash-flow. This is achieved through guaranteeing the repayment of advances made to them.

1.2 Guarantee Agreement – Description

The APP is a federal loan guarantee program that improves access to credit for producers. With the protection of a loan guarantee in place, through an Advance Guarantee Agreement (AGA) between the administrator, a lender and Agriculture and Agri-Food Canada (AAFC), administrators are able to negotiate preferential rates on cash advances to producers. As the program is delivered by third-party administrators on behalf of AAFC, producers can only receive an advance from an administrator and not directly from AAFC.

The intended benefit of the APP is to provide cash advances to producers for their agricultural products, allowing them to meet their short-term financial obligations. This grants producers the flexibility to spread the marketing of their agricultural products throughout the production period when demand is high, allowing them to base their sales decisions on market conditions rather than on their short-term cash flow needs.

The amount of the advance is based on up to 50% of the expected average market price that, as determined by the Minister of Agriculture and Agri-Food, will be payable to producers of the agricultural product in that area during the production period. Advances are limited to a maximum of \$400,000 with the federal government paying the interest on the first \$100,000 of the advance, further assisting with the producers' cash flow. Interest will be paid by AAFC at a rate up to prime minus one-quarter of one percentage point on behalf of eligible producers, using the approved advance rate for eligible agricultural products as per the AGA.

All applicants for an advance must disclose any applications with other program administrators as well as their involvement in other producer enterprises (such as a partnership, corporation, cooperative, etc.). Failure to provide accurate information on an APP application is an offence under the *Agricultural Marketing Programs Act* (AMPA) and may result in prosecution.

Producers repay the advance to the administrator as the agricultural product is sold and at the rate per unit in effect at the time of repayment. The administrator, in turn, repays the loan from which the advances were made, repaying first that portion of the advance on which AAFC is paying interest.

AAFC makes the interest payments on the first \$100,000 of an advance on a monthly basis directly to the financial institution providing the capital. These payments are based

on monthly statements from the administrator documenting the interest due, and reconciled with a bank statement from the lender.

The government guarantee is calculated based on the administrator's default history and can range from 85% to 99%. The administrator's liability is calculated based on default history and the number of settlement agreements entered into nine months after the guarantee end date. This calculation considers only the two most recent completed production periods and will range from 1% to 15%. The calculation formula is established through the regulations of the AMPA, and is explained later in this guideline, with an example, in Section 12.6 – Administrator's Liability.

1.3 Non-Guarantee Agreement – Description

Section 5.1(1) of the AMPA enables the Minister to enter into an agreement with an administrator for the purposes of paying interest on behalf of producers only, and not guaranteeing the repayment of advanced amounts where a guarantee by another person or organization already offers this benefit. Usually, the guarantee will be provided for by an existing provincial or other government program. This section will deal with the major aspects of the requirements for this type of agreement and procedures; however, the Act and the Regulations must be referenced when contemplating any such arrangement. The guarantee provided through another program means AAFC is not responsible for the principal amounts. The rules of the program offering the guarantee, as well as APP program rules, must both be adhered to if the Minister is to authorize this type of agreement.

One of the first considerations is that the APP is a marketing program to enable producers to offset carrying costs while preparing, producing or storing their agricultural product to obtain the best market price available during the production period. If the goals and objectives of the existing loan guarantee program are similar, the programs may be considered complementary and an agreement is possible. The applicant organization should consider all the requirements of the APP and decide if they wish to apply to administer the regular APP; leverage the existing loan guarantee program to offer the interest benefit only; or possibly offer both options to their producers.

1.3.1 Requirements

For non-guarantee, or interest-only, agreements, the amount of the existing guarantee already in place through another program must be sufficient to cover the advance rate defined in the AMPA, or some additional security requirements may also be necessary. The advance rate, up to 50% of the expected average market price of a product, will be applied to any agreements where AAFC pays interest only. This is in accordance with the Act and ensures equity for all producers taking part in the APP, whether the administrator is offering the regular APP or the non-guarantee (interest-only) option. Should a short-fall exist where the amount of the guarantee does not equal 50% of the expected average market price as determined by the Minister, the amount of eligible advance must then be lowered accordingly.

In the case of non-guarantee agreements, AAFC will pay interest at a rate up to prime minus one-quarter of one percentage point on behalf of eligible producers, using the approved advance rate for eligible agricultural products (as per the AGA). As the principal amount is not guaranteed, the administrator's liability is only on the interest paid by AAFC.

The principle of first sales repayments being applied against the interest-free amount first is required and may be facilitated by establishing a special account to track these amounts separately. Furthermore, program officials are required to do compliance visits and must be able to review all documentation related to all amounts of loans or advances and repayment, including proof of sale, to ensure the interest-free amounts are being repaid first and other program requirements are respected.

To be eligible for interest reimbursement, producers must have signed an agreement allowing their personal and financial information to be transferred to AAFC. The existing documentation for the guaranteed loan program may have to be modified or there may have to be a separate and distinct application form to facilitate transfer of the information and to ensure the applicable AMPA requirements are known to the producers. Program officials will require documentation on the existing loan guarantee program and must work with the administrator to identify any gaps between the existing program requirements and documentation and APP requirements and documentation needs. After this analysis, a strategy should be agreed upon on how best to address these gaps, whether it be modifying existing program documentation or procedures, or creating new ones.

All amounts advanced or attributed to a producer or farm operation under the APP, regardless of the type of agreement, are included in the \$100,000 interest-free maximum. This must be apparent in the repayment documentation and producers will be asked to identify any amounts already attributed to them through the APP. All producers receiving the interest-free benefit must be input into the APP Electronic Delivery System with the declarations of advances and repayments regardless if they are participating in the APP directly or receiving the interest-free benefit via another guarantee program (see Section 15 – Electronic Reporting Requirements for All Administrators). This will assist administrators in ensuring producers do not exceed the maximum interest-free amount.

1.3.2 AMPA Inclusions and Exemptions

Section 23 of the AMPA, which states that the Minister must pay principal and interest on default to the lender, does not apply to the non-guarantee agreement, as another government or entity has guaranteed the principal amount.

Sections 22(b) and (c) of the AMPA, which relate to the repayment of amounts to the Minister on default, do apply. Producers should be informed that, through a repayment agreement under the APP, they will be responsible for repaying any and all interest benefits paid on their behalf if they are in default. The administrator will be required to

collect and forward to the AAFC any interest paid on their behalf and should discuss with program officials applying an ineligibility period for any defaulted producers.

Other exemptions from the AMPA for these types of agreements where there is no lender as a party can be found in subsection 5(3.1) of the Act. The AAFC program manager can provide direction on the applicability of the Act and these guidelines.

1.3.3 Application Process

Organizations applying to administer these types of agreements will have to make an application and provide the same level of documentation, including financial and program management experience, as they would when applying to administer the regular APP. Further instructions are available in Section 3.1 – Application for Participation.

2. Eligible Agricultural Products

An eligible agricultural product, as defined under Section 4.1 of the AMPA, is an agricultural product that can be classified in one of the following categories:

- a) (i) an animal that is raised in Canada or the fur pelt of one of those animals,
- (ii) a plant that is grown in Canada or the product of one of those plants, or
- (iii) honey or maple syrup that is produced in Canada;
- b) in the Minister's opinion, it is possible to establish an average price for the agricultural product, subject to any criteria prescribed by regulation; and
- c) in the Minister's opinion the agricultural product is not processed or, in the case of a perishable agricultural product, not processed beyond what is necessary to store it and prevent spoilage, subject to any criteria prescribed by regulation.

An agricultural product will be considered ineligible under the APP if the product has been subjected to a process that changes the state in which it grew or has been harvested, or which goes beyond what is necessary for storage and prevention of spoilage (AMPA Regulations, paragraph 1.2).

3. Eligibility and Obligation of Administrators

An administrator, as defined under Section 2 (1) of the AMPA, means any organization that has the legal power to sue and be sued in its own name from one of the following:

- a) an organization of producers that is involved in marketing an agricultural product to which section 4.1 of the AMPA applies;

- b) an organization, other than a lender, that, in the Minister's opinion, represents producers who produce, in an area, a significant portion of an agricultural product for which advances will be made; or
- c) an organization, including a lender that, in the Minister's opinion, would be able to make advances more accessible to producers and that the Minister designates as an administrator.

3.1 Application for Participation

An organization must apply to AAFC through the APP Electronic Delivery System in order to administer the APP. All new applicants must first contact an AAFC program manager to have their organization registered in the system and to obtain an administrator identification number, as well as a password to access the electronic system. The AAFC program manager will collect basic information on the organization (e.g., legal name, address, phone number and authorized administrative agents) and on its administrative agent (e.g., name, phone number and e-mail address) to create an Administrator ID #.

Once issued an Administrator ID #, organizations must fill an electronic application form to administer the program. The completed application must be received by AAFC at least six to eight weeks prior to the AGA being required.

The application must include a requested advance rate based on up to 50% of the expected average market price for the production period of every agricultural product for which the application is made. The application must also include the proposed total financial guarantee required by the organization. As the production period lasts 18 months under the APP, prices are subject to fluctuation throughout this period. Therefore, AAFC will confirm advance rates to the administrator twice throughout the production period; once at the beginning of the period and again approximately six months later, or midway through. The administrator will therefore be required to submit a second advance rate request to AAFC for approval, which will reflect any change in market conditions. The administrator must submit this request no later than six weeks prior to September 30 of each year or the time at which a revised advance rate is required.

When using the APP Electronic Delivery System to apply, administrators choosing to deliver non-guarantee, interest-only agreements must select "Without Guarantee" as the type, instead of "Standard" on the Administrator Application screen. After completing the on-line application, the documents must be forwarded as outlined on the last screen of the application just before the electronic file is submitted.

In their application, the administrator should also make note of any factors that may affect the delivery of the APP, including unique situations in their representative areas, within their organization, or any issues with a particular agricultural product for which a guarantee is being sought.

An application must be submitted for each production period. If fields are left blank on the application form, the assessment by AAFC officials could be delayed until all omitted information has been provided.

3.2 Application Evaluation – Requirements in Assessing Administrator Eligibility

In assessing the application, AAFC must ensure that the applicant has the capability to properly administer the program. Upon receipt of the requested advance rates from the applicant, AAFC will analyze the request and confirm the appropriate rate, based on expected market conditions at the time of repayment (up to 50% of the expected average market price).

When applying to administer the APP, the applicant must demonstrate that it meets the following requirements:

Requirements	Information required
Financial	<ul style="list-style-type: none"> - that the applicant has the resources to carry out the activities of the program, including the issuance of advances and collection of producer's repayments; - that the applicant has the ability to support its financial liability in case of significant producer defaults; and - that the applicant is financially viable, by providing to AAFC audited financial statements for the past two years, as well as an evaluation of financial ratios that will prove the ability to pay short-term debt.
Legal	<ul style="list-style-type: none"> - proof that the applicant is a legal entity capable of suing or being sued in its own name. The applicant must submit Articles of Incorporation or some other acceptable proof of legal name to AAFC. <i>Note: If these documents have already been received by AAFC in the last three years, please disregard.</i>
Managerial	<ul style="list-style-type: none"> - that the issuance of advances to producers will improve marketing opportunities of their agricultural products; - that the applicant is able to meet its obligation as outlined in the AGA; - that the applicant has the capacity to ensure adequate program control and accountability; - that there is adequate staff employed to deliver the program; - that the applicant is able to communicate with AAFC officials in a timely and efficient manner regarding program issues; - in the case where other sources of government funding have been received, the applicant provides a list of all other sources of funding; and - that any issues remaining unresolved from a previous production period will require a detailed action plan for resolution approved by AAFC. If issues remain unresolved with no action plan, the administrator's participation may be jeopardized or subject to further requirements to ensure program integrity.
Technical	<ul style="list-style-type: none"> - that within six months of program inception, the administrator has Internet access and is able to report electronically to AAFC.

3.3 Approval of Application

Once the application is approved, four copies of the AGA between AAFC, the administrator and the lender will be prepared and sent to the administrator for signature. The administrator will take the agreement to the lender in order to finalize the financing and obtain the lender's signature. If this agreement is only between AAFC and an administrator (because the administrator is a lender or acts as lender), only three copies of the agreement will be sent to the administrator for signature.

Upon receiving the agreement, the administrator should:

- review its contents (and these guidelines) to ensure its officers fully understand and agree to all the provisions. It is the responsibility of the administrator to seek independent legal advice regarding the interpretation of the agreement, as required;
- have two authorized representatives sign the agreement in the designated area;
- obtain the signature of the lender, where applicable; and
- return two signed copies to AAFC.

When returning the agreement to AAFC, a letter containing the name and address of the lender and the account information must be included.

3.4 Administrator's Obligations

The administrator is accountable to the Minister for the efficient administration of the APP. Officials from AAFC will conduct compliance visits in order to review administrative procedures and monitor the program to ensure compliance with the AGA, procedures outlined in these guidelines as well as the Act. Following such a visit, the administrator will receive a report as well as an action plan to address any existing deficiencies in administration techniques and procedures. If the Act or the agreement is breached, the agreement may be cancelled and the Minister may require the administrator to repay any interest payments or default payments made by AAFC to the lender.

In administering the APP, it is most important that an administrator exercise due diligence in granting an advance under the AMPA. The administrator is fully responsible for approving producer applications; maintaining the operational control of the advance issuance and recovery process; fulfilling all required duties related to the management of the program; and being capable of demonstrating it is doing so at any given time.

The administrator's responsibilities are specified in the AGA. The administrator should ensure the terms of the agreement are realistic and that all of these terms can be met.

In general, the principal obligations of an administrator are:

Eligibility Verification and Advance Issuance	Eligibility Verification <ul style="list-style-type: none"> - to ensure the advance is secured by the appropriate BRM program (PI, AgriStability, etc.), where applicable, or the agricultural product itself; and - to register the security on the agricultural product through a PPSA, in cases of farm-to-farm sales, when there are concerns that repayments may be hindered.
	Advance Issuance <ul style="list-style-type: none"> - to make arrangements with the lender for all advance money borrowed; - to ensure the lender's interest rate on the loan is the same as the rate specified in the AGA; and - to submit a Declaration of Producer Advances report to AAFC stating all producer advances issued daily, weekly, bi-weekly or monthly, based on the number and frequency of advances.
Advance Repayment and Default	Advance Repayment <ul style="list-style-type: none"> - to make arrangements with any authorized buyers for the withholding and forwarding of the appropriate amount of the payment directly to the administrator (Appendix 3); - where the administrator is the buyer of the agricultural product, to withhold amounts from any payments made to the producer for any product sold; - to repay, with the advance repayments received from the producer, the money borrowed from the lender, together with the interest, within the period specified in the agreement and have these advance repayments first applied to the interest-free portion of the producer's advance; - to reconcile administrator records with the statement from the lender and submit a Claim for Reimbursement of Interest to AAFC on a monthly basis; - to submit a Cash Repayment Report to AAFC, reporting the cash repayments of an advance by a producer over the allowable limit within 15 business days of the repayment being made, and then submitting the interest penalty for this cash repayment to AAFC within 15 business days following the end of the production period; and - to submit a Declaration of Producer Repayments report to AAFC on a daily, weekly, bi-weekly or monthly basis, depending on the number and frequency of repayments, reporting all repayments (see Section 6.9.2 – Repayment Options).
	Default <ul style="list-style-type: none"> - to submit information on defaults to AAFC on a monthly basis; - to declare those producers not meeting the obligations as defined in their repayment agreement in default; - to submit a Non-Compliance Report to AAFC, if applicable, reporting any producer breaching APP program guidelines and/or terms and conditions, and in default during the production period; - in the event of a default, to pay the administrator's portion of the principal liability to the lender and the interest portion to AAFC within the required time frame as defined in the agreement; and - to submit to AAFC, where applicable, a Repayment of Terms Report stating the repayment details for all producers in default within nine months following the end of the production period.
Stay of Default	<ul style="list-style-type: none"> - where applicable, to submit to AAFC a Stay of Default Report prior to the end of the production period, reporting all producers with a Minister-approved Stay of Default applied to their advance.

4. Eligibility and Obligation of Producers

Producer, as defined under section 2(1) of the AMPA, means a producer of an agricultural product who is:

- a) a Canadian citizen or a permanent resident;
- b) a corporation, a majority of whose voting shares are held by Canadian citizens or permanent residents;
- c) a cooperative, a majority of whose members are Canadian citizens or permanent residents; or
- d) a partnership or other association of persons where partners or members, who are Canadian citizens or permanent residents, are entitled to at least 50% of the profits of the partnership or association of persons.

A producer includes a person or entity entitled to an agricultural product or a share in it as lessor, vendor, mortgagee, or hypothecary creditor on a date specified in the AGA.

In order to be eligible for an APP advance during a production period, the producer must own continuously the agricultural product and be responsible for its marketing. Ownership and responsibility for marketing is considered to be lost when the agricultural product is sold and/or processed; if someone other than the producer can give all or a part of it as security; or if, in the case of agricultural products other than horticultural crops, maple syrup or honey, the product is placed in a marketing pool.

Producers who collectively own and market their eligible agricultural products will be considered able to satisfy the ownership and responsibility for marketing criteria up to the point where the product is sold or placed in a marketing pool for processing.

4.1 *General Requirements for Eligibility*

- The producer and any related producers must not be in default under an APP repayment agreement, and must be complying with the requirements outlined in Section 6.9 – Repayment (this includes any advances issued under the PGAPA, the APCA, the SCAP and the ESCAP).
- The producer must not be ineligible, where an AGA provides that a producer continues to be ineligible for a guaranteed advance for a specific period, even though the producer has ceased to be in default.
- The producer must not have given the agricultural product for which the advance was issued, or any amount to be received under the BRM program used to secure the advance, as security ranking in priority to the security interest given to the administrator. The priority ranking ensures that, should the dispersal of the assets be forced, the administrator is the first to obtain payment to apply against the outstanding amount of advance for a given producer. The producer demonstrates this by having the

producer's primary lender and/or supplier sign a Priority Agreement (see Section 5 – Details on APP Advances and Appendix 1: Priority Agreement).

Where the Producer is an Individual, the Applicant

- must be of the age of majority in the province of the farming operation;
- must be principally occupied in that operation, contributing significantly and materially to the production of the agricultural product for which the advance is being made, or be entitled to the agricultural product or a share in it as the lessor, vendor, mortgagee, or hypothecary creditor;
- have title to the agricultural product for which the advance is made; and
- must not be a Member of Parliament with any or partial control over the administrator (such as a director).

Where the Producer is a Partnership, Corporation, Cooperative, or Association of Persons (Related Producer), the Applicant:

- must indicate on the application if the applicant is a partnership, corporation or cooperative. In all cases, the name and address, home phone number and date of birth of each shareholder, and number of shares each holds, as well as the name and address, home phone number and date of birth of each member or partner and the percentage of the profits to which they are entitled, are required. Legal documentation must be obtained from the applicant to ensure all proprietors and their interest in the applicant producer is being disclosed;
- all shareholders, members or partners of the company, cooperative or partnership must sign a guarantee (APP Part 1B: Application & Repayment Agreement – Corporation / Cooperative / Partnership Information) to be jointly and severally liable for any liability of the producer. Each partner, member or shareholder is individually and collectively responsible for the entire outstanding amount of the advance in the case of default, and all costs associated with collecting the default. If any of the shareholders, members or partners do not sign the guarantee, no advance may be granted to the producer;
- if the corporation has only one shareholder, that shareholder must agree in writing to be personally liable to the administrator for any liability of the producer and provide any security for the repayment of the advance that the administrator may require. A personal guarantee to repay the advance is required and is provided through a personal guarantee form (found in APP Part 1B: Application & Repayment Agreement – Business Producer Information); and
- in the case where there is more than one shareholder, member or partner, at least one must be of the age of majority in that province and be principally occupied in the farming operation.

Should there be any change in a producer's identity or legal status, the producer must contact the administrator, and advise them of the change. Even if the producer has already received an advance, another application for an advance with all pertinent documentation under that name or status must be submitted.

4.2 Attribution

For purposes of calculating the maximum amount of advance for an individual or entity, amounts advanced to a related producer (in the case of partnerships, corporations, cooperatives and association of persons) are attributable to the producers and the attributable percentage is:

- 100%, if the applicant is a sole proprietor;
- the percentage of the voting shares the producer holds in the related producer, if the related producer is a corporation;
- if the organization is a cooperative, one divided by the number of members and multiplied by 100; or
- the percentage of the profits of the partnership or association of persons to which the producer is entitled, if the producer and the related organization are partners or members of the same partnership or other association of persons.

In order for the administrator to apply the attribution rules, the producer will be required to provide all necessary information.

The producer must be requested to sign a statement declaring that they are not required by the *Income Tax Act* to acknowledge involvement in any partnership, corporation, cooperative or association of persons on their income tax statement. If the producers are not in a position to sign such a statement, they will be required to declare all parties with which they operate their farm business or the organizations in which they are members, shareholders or partners.

The application clearly states the producer may be required to substantiate the statements made, either through a statement from their accountant or by providing a copy of income tax statements. Failure to provide such proof will result in the producer not receiving an advance or being declared in default if the advance has already been issued. The administrator may rely on the producer declaration when issuing the advance but should investigate any declarations that seem questionable.

Any individuals related through blood are related for purposes of the APP unless they are operating at arm's length. This means that their farming operations must be distinctively separate, with separate business addresses and separate properties. Producers who are married can not be considered operating at arm's length.

4.2.1 Related Producers

Under the APP, individuals and independent farming operations, regardless of the number of partners, members or shareholders, are limited to a maximum of \$400,000 in total advances during any single production period, the first \$100,000 of which is interest-free.

In order to accomplish this, the AMPA defines “related producers” and establishes how the amounts advanced to related producers will be attributed to the individuals involved and vice versa. According to the Act, producers are considered to be related if they are not operating at arm’s length. The AMPA further defines a number of scenarios in which producers are considered not to be operating at arm’s length and are therefore considered related unless proof is provided to the contrary. These scenarios are outlined, with examples provided, in Section 6.2 – Determining the Eligibility of Related Producers.

4.3 Producer’s Obligations

When a producer applies for an advance for an agricultural product, the entire agricultural product on which an advance is made is considered to be covered by the advance, unless otherwise specified in the AGA. On the first sales or disposal of that agricultural product, the appropriate portion of the advance must be repaid at least at the same rate as the advance rate in effect at the time of repayment. A producer cannot designate only part of an agricultural product of a certain type as being under the advance, unless specified otherwise in the agreement.

The producer is accountable to the administrator for ensuring the advance is repaid as outlined in the terms and conditions of the repayment agreement signed by the producer and the administrator. Officials from the administrator will monitor program compliance to the repayment agreement, guidelines and the Act. If the Act and/or agreement are breached, the producer may be declared in default and obliged to repay the outstanding advance, plus interest at the penalty rate, on the outstanding advance, from the day the advance was issued.

The principal obligations of a producer are:

<p>Application for an APP Advance</p>	<ul style="list-style-type: none"> - to properly complete an application, including a producer declaration, and submit it to the administrator; and - to provide all proof of eligibility requirements (i.e., Canadian citizenship/permanent residency, proof of age of majority, title to the agricultural product, Intended Seeded Acreage Report, Actual Seeded Acreage Report, AgriStability Option Notice, etc.).
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Agreements	<ul style="list-style-type: none"> - to provide a Priority Agreement signed by the manager of the lending institution or the supplier for any liens or encumbrances on the agricultural product (Appendix 1) and, as applicable, an Assignment Agreement for future BRM program payments (Appendix 2); - livestock producers must demonstrate their participation in a BRM program in order to be eligible, but as the animals can be used as collateral to secure the advance, livestock producers do not need to assign their BRM payments. Assignments are only taken on BRM payments if the producer is declared in default; - to insure, as recommended, the livestock or agricultural product in storage for all insurable perils, equal to the value of the advance if kept in the producer's own facilities; OR - to provide proof that any commercial storage used has adequate insurance; - to sign a Personal Guarantee Agreement or Joint and Several Liability Agreement for the advance; - to complete, where applicable, an authorization for deduction by a buyer or broker that has an agreement with the administrator for this purpose (Appendix 4); OR - to agree to repay the advance directly to the administrator, including any interest under the terms established in the Repayment Agreement; OR - a combination of both methods; and - to provide to the administrator any information requested for the purpose of applying the AMPA.
Repayments on the APP Advance	<ul style="list-style-type: none"> - to sign a declaration stating the producer will comply with the terms of the Repayment Agreement by repaying the advance and any interest that accrues on advances over \$100,000; and - livestock producers must agree, in their repayment agreement, to assign their BRM payments to the administrator if the producer is declared in default.
Producers of agricultural product in pre-production and non-storable agricultural products (livestock)	<ul style="list-style-type: none"> - to accurately estimate the acreage of the agricultural product to be planted; - to provide the administrator with an assignment of the PI policy, AgriStability or any other BRM program where required, so any payments from these programs are applied against the advance; and - to continue to respect the requirements of the PI, AgriStability or any other BRM program.
Producers of storable agricultural products in post-production	<ul style="list-style-type: none"> - if the security for the advance is the storable agricultural product in post-production itself, the producer must adequately store the product so it will remain in marketable condition until disposed of in accordance with the terms of the Repayment Agreement.

5. Details on APP Advances

5.1 Advance Cycles and Rates

Advances will be accessible at any time between the start of the production period (i.e., April 1) and March 31 of the following year. The advance rate is based on 50% of the

average market price that, as determined by the Minister, will be payable to producers of the agricultural product in that particular area during the production period.

These advance rates must be approved by the Minister before any advances are issued. Unless different dates are included in the AGA, the first advance rate will be valid from the beginning of the production period until September 30 of the same year and the second advance rate, confirmed in the AGA, will be valid from October 1 for the remainder of the production period. Determining the eligible advance will be based on the advance rate per unit in effect at the time the advance is requested by the producer. Advance repayments will be collected at the advance rate per unit in effect at the time the producer makes the repayment.

5.2 *Overpayment*

The advance rate is provided in the agreement issued at the start of the production period and will be updated within the production period to account for changes in market conditions.

Overpayment may occur under two circumstances: 1) in the case where the BRM program coverage, upon which the maximum advance was based, is reduced, through no fault of the producer, and the agricultural product is of good marketable quality, overpayment is a result of the outstanding amount of the advance exceeding the BRM coverage; and 2) where the value of the product (and therefore, the value of the security) is reduced, through no fault of the producer, and the agricultural product is of good marketable quality, overpayment occurs as a result of the value of the outstanding advance being in excess of the value of the security. The latter may be the case when outstanding advances are recalculated with the new advance rates.

In either situation, the producer is responsible for repaying the amount of the difference if it exceeds the allowed overpayment limit of \$6,000 or 10% of the advance, whichever is greater. The producer should be given 30 days to repay the overpayment without penalty, or asked to cover the entire difference with another agricultural product. There may be situations where this will occur between administrators, requiring cooperation between organizations.

5.3 *Overlap of Two Production Periods*

Having a production period of 18 months beginning April 1 of each year and ending September 30 of the following year creates an overlap of two production periods during the last six months of the first production period and the first six months of the next production period (i.e., April 1 to September 30 of every calendar year). Although the producer is eligible for up to \$400,000 in advances during one production period, the producer must never have more than \$400,000 outstanding in advances at any one time, including the six months of overlap between two production periods. In the case where the total advances issued in the first production period have been fully reimbursed prior

to the beginning of the second production period, the total maximum advance is reinstated.

In the case where an advance from the previous production period is still outstanding at the beginning of the second production period, the total advance a producer can receive in the second production period must be adjusted accordingly to ensure this producer does not receive more than a combined total of \$400,000 in advances. The first \$100,000 of the second production period may still be granted interest-free during the six-month overlap of the two production periods.

Once the second AGA for the new production period comes into effect, no more advances may be issued under the first agreement. However, the producers have until the end of the first production period to reimburse any advance still outstanding under that first agreement.

Every repayment done on similar types of agricultural products during the overlap of two production periods must first be applied to repay any outstanding amount on the advance issued during the first production period. If repayments are made on different agricultural products and that security on the advance of the first production period is sufficient to cover the amount still outstanding, then the repayment must be applied to the second production period.

Example of Overlapping Production Periods

Production Period 1 (April 1, 2007 to September 30, 2008)		Production Period 2 (April 1, 2008 to September 30, 2009)	
<u>Advances issued:</u>		<u>Advances issued:</u>	
April 1, 2007	\$12,000	April 1, 2008	\$60,000
June 4, 2007	\$10,000	June 15, 2008	\$40,000
September 10, 2007	\$20,000		
Total advances this period (interest free)	\$42,000	Total advances this period	\$100,000
Remaining interest-free portion available	\$58,000	Remaining interest-free portion available	\$ 0
<u>Repayments:</u>		<u>Repayments:</u>	
July 1, 2007	\$2,000	August 31, 2008	\$10,000
September 1, 2007	\$3,000		
November 1, 2007	\$1,100		
January 1, 2008	\$2,250		
February 1, 2008	\$5,000		
Total repayments (Period 1)	\$13,350	Total repayments (Period 1)	\$10,000
		Total repayments (Period 2)	\$ 0
<u>Outstanding Advance</u>			
February 1, 2008			
Production Period 1\$28,650			

Outstanding Advances (during overlap of production periods)	
April 1, 2008 – September 30, 2008	
Period 1	\$ 28,650
Period 2	\$ 60,000
Total	\$ 88,650
June 15, 2008	
Production Period 1	\$ 28,650
Production Period 2	\$100,000
Total	\$128,650
August 31, 2008	
Production Period 1	\$ 18,650
Production Period 2	\$100,000
Total	\$118,650

6. Administration of the Program

6.1 Producer Application

A copy of the producer's application can be found on-line and is also available through an AAFC program manager. If the administrator chooses not to use the application provided, as a minimum, the requirements in the application should be included (i.e., Part 1 to Part 6 of the Application for an Advance).

The application process includes a producer declaration that:

- states the producer meets the eligibility requirements;
- provides information for the application of the attribution rules;
- states that the only liens on the agricultural product are those identified in the application;
- states that the only assignments on the agricultural product and/or a BRM program are those identified in the application;
- states an application has been made for PI, AgriStability or another applicable BRM program as specified in Section 6.5 – Securing the Advance, as required; and
- states the producer agrees to comply with the terms and conditions of the Repayment Agreement attached to the application form.

To guarantee the repayment of the advance, each producer applying for an advance must sign either a Personal Guarantee (in the case of an individual or single proprietor) or a Joint and Several Guarantee (for multiple shareholders of a corporation).

To ensure first rank security interest to the administrator, each producer must provide, along with the application, a Priority Agreement (Appendix 1) signed by the lending institution or any other creditors for each lien on the production or on future proceeds of a BRM program used to secure the advance. Producers receiving an advance that requires a BRM program as security must also provide an Assignment Agreement (Appendix 2) to assign future proceeds of BRM programs used as security on the advance.

As administrators report on advances through the APP Electronic Delivery System, all producers receiving an advance must have an APP number. This number links each producer to all transactions with the program and must be obtained by the administrator prior to the issuance of an advance. The administrator will log onto the APP Electronic Delivery System and determine if the producer already has an APP number assigned. If they do, the administrator will use this number for all future references. If the producer does not have an APP number, the administrator will input all the required producer information and the system will generate an APP number for that particular producer to be used for all future references. It is important that administrators validate APP numbers prior to issuing an advance to a producer to ensure attribution rules apply and the maximum advance limit has not been exceeded.

6.2 Determining the Eligibility of Related Producers

This section describes who related producers are considered to be for the purpose of determining the eligibility for an advance and for the interest-free portion of the program. The attribution of an advance is defined in Section 3(1) and (2) of the AMPA.

Producers are related for the purposes of AMPA, if they do not deal with each other at arm's length. In the absence of proof to the contrary, producers are presumed not to deal with each other at arm's length if they are related as follows:

- a) individuals who are cohabiting or are connected by
 - i. blood relationship, in the sense that one is the child or other descendant of the other or one is the brother or sister of the other,
 - ii. marriage, in the sense that one is married to the other or to a person who is connected with the other by blood relationship,
 - iii. common-law partnership, in the sense that one is in a common-law partnership with the other or with a person who is connected with the other by blood relationship or adoption, or
 - iv. adoption, in the sense that one has been adopted, either legally or in fact, as the child of the other or as the child of a person who is connected with the other by blood relationship, otherwise than as a brother or sister;

- b) a corporation and a person who
 - i) holds shares in the corporation,
 - ii) is a member of a group of persons that holds shares in the corporation, or
 - iii) is related, as described elsewhere in this subsection, to a person who hold shares in the corporation or to the member of the group;

- c) any two corporations if
 - i) one person or group of persons holds shares in both corporations,
 - ii) a person who holds shares in one of the corporations is related, as described elsewhere in this subsection, to a person who holds shares in the other corporation,
 - iii) a person who holds shares in one of the corporations is related, as described elsewhere in this subsection, to a member of a group of persons that holds shares in the other corporation, or
 - iv) they are both related, as described in paragraph (b) or subparagraph (i), (ii) or (iii), to a third corporation;

- d) members of the same groups of persons; or

- e) persons related, as described in paragraphs (a) to (c), to members of the same groups of persons.

“Groups of persons” means a producer that is a partnership, cooperative, or other association of persons.

Interpretation of Sub-Sections 9 (2) and 20 (2) of the AMPA

The intent of the attribution rules in the AMPA is to limit the benefit, direct or indirect, of the interest-free portion of advances to \$100,000 per producer and to limit the overall maximum amount of advances to \$400,000 per producer, whether the amounts were obtained through an individual application or indirectly through participation in a partnership, corporation, cooperative or other association of persons. This intent, when combined with the provision in section (3) of the AMPA, that producers are related only if they do not deal with each other at arm’s length, is met if the \$100,000 and \$400,000 limits are satisfied for each individual producer.

Consequently, attribution will apply in accordance with the rules set out in subsection 9(2) for partnerships, corporations, cooperatives and other groups of persons to the partners, shareholders or members. In order to ensure the \$100,000 and \$400,000 limits are not exceeded, adjustments may have to be made to the interest-free portion of advances already given and the portion of an advance over \$400,000 will have to be repaid immediately.

Therefore, the process, which is independent of the order of application, would be as follows:

- in calculating an individual producer’s entitlement to an advance, any amounts advanced to related producers must be considered (attributed) in determining how much additional advance the individual producer can receive and still remain within the limits of the program;
- in calculating the entitlement to an advance for a partnership, corporation, or cooperative, the amount of remaining eligibility of each of the partners, shareholders, or members must be considered. The amount of the advance would then be the amount that, when attributed to the individuals, would not put any one of the partners, shareholders, or members over the \$400,000 limit; and
- in order to ensure equitable sharing of program benefits, it is recommended that in calculating the interest-free benefit, the partnership, corporation, or cooperative be calculated first, giving the maximum interest-free benefit warranted (unless all parties agree to have this calculated in the reverse order). The amounts of the interest-free benefits that are attributable to each partner, shareholder, or member would determine how much additional interest-free advance each individual could receive within the \$100,000 limit. The administrator may, however, calculate this benefit in any other order that satisfies the requirements of the Act.

Amounts attributed from a related producer to the individual must be according to the share of the profits, number of shares held, etc. The amount cannot arbitrarily be set to other values.

Where individuals apply for an advance prior to the related producer, some situations may arise where part of the advance an individual producer has already received will become interest-bearing, due to the advance the related producer has received. Producers should be made aware of this and advised to ensure the related producer applies first to avoid such situations.

In this approach it is important to focus on keeping the advance amounts within the \$400,000 limit and not focus on the interest-free portion until the calculation is made for the amount of interest benefit the Minister must pay on behalf of each producer.

The following are some examples of how this would work. The ordering of the advances is in the order listed. For each example, all individual producers are assumed to hold equal shares/ownership of the partnership or corporation.

A) Producer partnerships

Example 1 – Partnership

Producer A: \$0.00 advance outstanding
 Producer B: \$0.00 advance outstanding
 Partnership AB: \$400,000 advance outstanding

Producer A and Producer B both request a \$150,000 advance after Partnership AB has already received an advance.

Total Advances: \$700,000

Partnership AB		Producer A		Producer B	
Advance	\$400,000.00	Advance O/S	\$0.00	Advance O/S	\$0.00
Attribution	N/A	Attribution	\$200,000.00	Attribution	\$200,000.00
		Advance	\$150,000.00	Advance	\$150,000.00
Total Advance	\$400,000.00	Total Advance	\$350,000.00	Total Advance	\$350,000.00
Remaining Eligible Advance	\$0.00	Remaining Eligible Advance	\$50,000.00	Remaining Eligible Advance	\$50,000.00
Remaining Interest-Free	\$0.00	Remaining Interest-Free	\$0.00	Remaining Interest-Free	\$0.00
Interest-Free	\$100,000.00	Interest-Free	\$100,000.00	Interest-Free	\$100,000.00
From Advance	\$100,000.00	From Advance	\$50,000.00	From Advance	\$50,000.00
From Attribution	\$0.00	From Attribution	\$50,000.00	From Attribution	\$50,000.00
Interest-Bearing	\$300,000.00	Interest-Bearing	\$250,000.00	Interest-Bearing	\$250,000.00

- Partnership AB is eligible for \$400,000 of which \$100,000 is interest-free. They are now no longer eligible for other advances;
- Of the advance to Partnership AB, \$200,000 is attributed to both Producer A and Producer B. The interest-free amount of the \$200,000 is \$50,000, therefore each individual producer is still entitled to another \$50,000 interest-free; and
- When both Producer A and B request an additional advance of \$150,000 each, \$50,000 of this advance is allowed to be interest-free and the other \$100,000 becomes interest-bearing. Each producer is still entitled to another \$50,000 within the \$400,000 limit.

Example 2 – Partnership and one of its producers having equal outstanding advances

Producer A: \$100,000 advance outstanding

Producer B: \$100,000 advance outstanding

Partnership AB: \$0.00 advance outstanding

Partnership AB requests a \$100,000 advance after both A & B have each individually received an advance.

Total Advances = \$300,000

Producer A			Producer B			Partnership AB		
Advance O/S		\$100,000.00	Advance O/S		\$100,000.00	Advance		\$100,000.00
Attribution		\$50,000.00	Attribution		\$50,000.00			
Total Advance \$150,000.00			Total Advance \$150,000.00			Total Advance \$100,000.00		
Remaining Eligible Advance \$250,000.00			Remaining Eligible Advance \$250,000.00			Remaining Eligible Advance \$300,000.00		
Remaining Interest-Free \$0.00			Remaining Interest-Free \$0.00			Remaining Interest-Free \$0.00		
Interest-Free		\$100,000.00	Interest-Free		\$100,000.00	Interest-Free		\$0.00
From Advance		\$100,000.00	From Advance		\$100,000.00	From Advance		\$0.00
From Attribution		\$0.00	From Attribution		\$0.00	From Attribution		\$0.00
Interest-Bearing		\$0.00	Interest-Bearing		\$0.00	Interest-Bearing		\$100,000.00

- Producer A and Producer B are each attributed \$50,000;
- Since both producers already had \$100,000 outstanding, they both used up their interest-free limit; therefore, the Partnership AB advance was fully interest-bearing; and
- The \$50,000 attributed to both Producer A and Producer B is not considered as an individual advance to that producer; however, it does reduce each of their eligible maximum advances as shown above. With

each advance Partnership AB receives, the maximum eligible advance for each Producer A and Producer B is reduced, and vice versa.

Example 3 – Partnership and its producers having unequal outstanding advances

Producer A: \$300,000 advance outstanding

Producer B: \$100,000 advance outstanding

Partnership AB requests an advance of \$400,000. However, they are only eligible to receive an advance of \$200,000 as Producer A is limited to \$100,000 being attributed from partnership and the partnership advance is attributed back 50/50 between producers (as equal shareholders).

Total Advances = \$700,000

Producer A		Producer B		Partnership AB	
Advance O/S	\$300,000.00	Advance O/S	\$100,000.00	Advance	\$200,000.00
Attribution	\$100,000.00	Attribution	\$100,000.00		
Total Advance \$400,000.00		Total Advance \$200,000.00		Total Advance \$200,000.00	
Remaining Eligible Advance \$0.00		Remaining Eligible Advance \$200,000.00		Remaining Eligible Advance \$200,000.00	
Remaining Interest-Free \$0.00		Remaining Interest-Free \$0.00		Remaining Interest-Free \$0.00	
Interest-Free	\$100,000.00	Interest-Free	\$100,000.00	Interest-Free	\$0.00
From Advance	\$100,000.00	From Advance	\$100,000.00	From Advance	\$0.00
From Attribution	\$0.00	From Attribution	\$0.00	From Attribution	\$0.00
Interest-Bearing	\$300,000.00	Interest-Bearing	\$100,000.00	Interest-Bearing	\$200,000.00

- Producer A and Producer B are attributed \$100,000 each of the \$200,000 advance;
- Since Producer A and Producer B had already used up their maximum interest-free cap, the full \$200,000 advance to Partnership AB is interest-bearing;
- Producer A is no longer eligible for another advance as the maximum level of advances has already been reached; and
- Partnership AB is not eligible to receive another advance because producer A reached its limit. Producer B is individually eligible to receive an additional advance of \$200,000 at which point all advances would terminate for all parties.

B) Producer corporations

Example 4 – Corporation with equal shareholders having no outstanding advances

Producer A: \$0.00 advance outstanding
 Producer B: \$0.00 advance outstanding
 Producer C: \$0.00 advance outstanding
 All are equal shareholders of corporation ABC

Corporation ABC requests an advance of \$200,000

Total Advances = \$200,000

Corporation ABC		Producer A		Producer B		Producer C	
Advance	\$200,000.00	Advance O/S	\$0.00	Advance O/S	\$0.00	Advance	\$0.00
		Attribution	\$66,666.67	Attribution	\$66,666.67	Attribution	\$66,666.67
Total Advance \$200,000.00		Total Advance \$0.00		Total Advance \$0.00		Total Advance \$0.00	
Remaining Eligible Advance	\$200,000.00	Remaining Eligible Advance	\$333,333.33	Remaining Eligible Advance	\$333,333.33	Remaining Eligible Advance	\$333,333.33
Remaining Interest-Free	\$0.00	Remaining Interest-Free	\$66,666.67	Remaining Interest-Free	\$66,666.67	Remaining Interest-Free	\$66,666.67
Interest-Free	\$100,000.00	Interest-Free	\$33,333.33	Interest-Free	\$33,333.33	Interest-Free	\$33,333.33
From Advance	\$100,000.00	From Advance	\$0.00	From Advance	\$0.00	From Advance	\$0.00
From Attribution	\$0.00	From Attribution	\$33,333.33	From Attribution	\$33,333.33	From Attribution	\$33,333.33
Interest-Bearing	\$100,000.00	Interest-Bearing	\$33,333.33	Interest-Bearing	\$33,333.33	Interest-Bearing	\$33,333.33

- Producer A, B and C are each attributed \$66,666.67 (of which \$33,333.33 is interest-free) of the \$200,000 advance to Corporation ABC; and
- Producer A, B and C each have \$333,333.33 remaining eligible advance of which \$66,666.67 is interest-free.

Example 5 – Corporation and equal shareholders having unequal outstanding advances

Producer A: \$80,000 advance outstanding
 Producer B: \$60,000 advance outstanding
 Producer C: \$40,000 advance outstanding
 All are equal shareholder of corporation ABC

Corporation ABC requests an advance of \$100,000 after all of the individual producers have received advances.

Total Advances = \$280,000

Producer A		Producer B		Producer C		Corporation ABC	
Advance O/S	\$80,000.00	Advance O/S	\$60,000.00	Advance O/S	\$40,000.00	Advance	\$100,000.00
Attribution	\$33,333.33	Attribution	\$33,333.33	Attribution	\$33,333.33		
Total Advance		Total Advance		Total Advance		Total Advance	
	\$113,333.33		\$93,333.33		\$73,333.33		\$100,000.00
Remaining Eligible Advance		Remaining Eligible Advance		Remaining Eligible Advance		Remaining Eligible Advance	
	\$286,666.67		\$306,666.67		\$326,666.67		\$300,000.00
Remaining Interest-Free		Remaining Interest-Free		Remaining Interest-Free		Remaining Interest-Free	
	\$0.00		\$6,666.67		\$26,666.67		\$0.00
Interest-Free		Interest-Free		Interest-Free		Interest-Free	
	\$100,000.00		\$93,333.33		\$73,333.33		\$86,666.66
From Advance	\$80,000.00	From Advance	\$60,000.00	From Advance	\$40,000.00	From Advance	\$86,666.66
From Attribution	\$20,000.00	From Attribution	\$33,333.33	From Attribution	\$33,333.33	From Attribution	
Interest-Bearing	\$13,333.33	Interest-Bearing	\$0.00	Interest-Bearing	\$0.00	Interest-Bearing	\$13,333.34

- Producers A, B and C are each attributed \$33,333.33 of the \$100,000 advance to Corporation ABC; and
- Of the \$100,000 advance to Corporation ABC \$86,666.66 is interest-free. Producer A could only have \$20,000 of the attributed amount as interest-free.

6.3 Credit Evaluation

There are a number of means by which an administrator can evaluate a producer’s credit-worthiness. There are two elements to the evaluation: the producer’s solvency (financial statements) and the producer’s credit history. Please refer to the AGA for the exact credit evaluation requirements of your organization; however, the following are a number of options that have been used in the past. The administrator should not feel limited to any single one of the items listed, as any combination of the following or any other proposal will be considered.

Some options to consider when verifying credit-worthiness:

- a credit check conducted by a qualified organization, such as Equifax;
- a credit check conducted by the administrator, done by contacting the producer’s known creditors, lender and suppliers of agricultural inputs;
- a review of the producer’s financial statements; and/or
- a review of the producer’s credit history with the organization.

In order to limit administration costs, the administrator may want to have a graduated evaluation depending on the number of years a producer has been in the program and the repayment history.

In all cases, the administrator is liable for the cost of the credit assessment; however, this can be charged back to the producer as an administrative fee. The assessment done on a

producer must be documented in the producer's file and if the advance is issued, must be warranted.

It should be noted that when the administrator has possession of the agricultural product (i.e., it is stored in the administrator's facilities) and receives all repayments directly from authorized buyers, consideration will be given to waiving the need for credit evaluation. Under such a system, there are limited opportunities for the producer to default.

6.4 Approval of Producer Application

It is essential for the administrator to establish a clear, transparent and open decision-making process for evaluating producer applications that will result in unbiased and accurate assessments. One approach may be a formal review board made up of officers within the administrating organization, as well as the secretary or manager, to review applications prior to issuing advances.

Prior to issuing an advance, the administrator must do the following:

- ensure the producer has correctly completed all required forms (see Section 6.1 - Producer Application):
 - obtain a signed producer declaration from each applicant, along with all supporting statements included in Part 3 of the Application & Repayment Agreement – Declaration & Attestation,
 - ensure a priority agreement form (Appendix 1) is signed by the lender and/or supplier for any liens or encumbrances on the agricultural product, and/or on the proceeds of BRM programs used to secure the advance. If there are no liens or encumbrances, at least one priority agreement should be obtained stating this for the producer's main lender, and
 - ensure producers receiving an advance that requires a BRM program as security provide an Assignment Agreement (Appendix 2) to assign future proceeds of BRM programs;
- require documentation from the producer to substantiate any statements in the producer's declaration the administrator may have reason to believe are incorrect;
- evaluate the producer's credit (see Section 6.3 – Credit Evaluation);
- review the producer's default history under the APP with any organization and take any additional steps considered appropriate to determine credit-worthiness;
- calculate the advance based on the information provided by the producer;
- in the case of an agricultural product in post-production, the administrator must take steps in accordance with the agreement to ensure that the product is adequately stored in order to remain marketable until disposed of;
- in the case of a storable agricultural product in pre-production and non-storable agricultural products, the administrator must ensure the advance is

secured by a BRM program as outlined in the AGA, and payments from that program are assigned to the administrator to cover the amount of the advance;

- in the case of livestock, which are neither storable or non-storable, the administrator must have the producer demonstrate participation in a BRM program, the proceeds of which will only be used to repay the advance if the producer goes in default under the repayment agreement;
- ensure that if an advance was issued by another administrator to the producer, the limits under the AMPA are applied;
- ensure that the agricultural product's and producer's eligibility requirements are met (see Section 2 and 3 of these guidelines);
- keep records of all producer applications, both approved and not approved, along with the supporting documentation;
- ensure all required forms are completed in full and signed by the producer and the officers with designated signing authority within their organization, including:
 - *BRM Program assignment* (Appendix 2)
 - *Buyer Agreement (where applicable)* (Appendix 3)
 - *Buyer Authorization* (Appendix 4)
 - *Personal Guarantee*
 - *Joint & Several Guarantee*; and
- ensure all required documents are maintained in the appropriate producer's file.

6.5 Securing the Advance

Security is required on all advances, with the type of security varying based on the agricultural product and its stage of production. As per Section 5(3.2) of the AMPA, the following is a list of programs eligible to be used as security against an APP advance:

- AgriStability (formerly Canadian Agricultural Income Stabilization Program, or CAIS)
- Production Insurance Program (PI)
- Programme d'assurance stabilisation des revenus agricoles (ASRA)
- Self-Directed Risk Management

Administrators may restrict the use of particular BRM programs from this list for administrative purposes, providing the producers are informed of this decision.

There are three types of advances:

- a) Advances on storable agricultural products that are in pre-production and non-storable agricultural products: in addition to the product itself, a relevant BRM program must be used as security against an advance, such as PI, AgriStability, or any other similar program approved by the Minister. AgriStability can only be used as security when the producer

does not have PI for the agricultural product on which the advance is requested.

- b) Advances on storable agricultural products in post-production: the agricultural product itself is used as security, as well as any agricultural product produced in subsequent production periods, until full repayment of the producer's liability (see Section 12.7 – Producer's Liability).
- c) Advances on livestock: as the inventory of livestock itself (including cattle, sheep, bison and swine) is now considered collateral and is used to secure the advance, advances are no longer limited by the BRM program coverage. Livestock producers must participate in a BRM program; however, the assignment on BRM proceeds will only be registered if the producer is in default under the repayment agreement.

At any time in the production period the producer must have sufficient security to cover the outstanding advance. Please refer to Section 5.1 – Advance Cycles.

6.5.1 Assignment of BRM Program Payments

Where a producer has not previously assigned any BRM program payments to a lender or to a supplier, the administrator must have the producer sign an assignment form. Producers will be required to complete a priority agreement (see Section 6.5.2 – Priority Agreement) assigning first rank priority on the BRM program payments to the administrator as a form of security on the advance, with the exception of livestock advances. If there is a payment under the BRM program to the producer, including targeted advance payments or interim payments, the administrator holding the assignment and receiving the cheque will apply that payment directly against the portion of the advance secured by the BRM program in question. Livestock producers will only have a targeted advance payment or interim payment used to repay their advance if they are in default under their repayment agreement.

In certain provinces, some BRM program assignments may be product specific, meaning that a lender and a supplier can take an assignment of any payments related to a particular agricultural product. In these provinces, all assignments should be filed with the appropriate agency administering the BRM program to ensure payments from the program are directed to the advances.

In other provinces, the assignments are not product specific. In these provinces, any payments, regardless of the agricultural product they were related to, go to the first priority on the assignment until the producer's obligations with the lender have been fulfilled. Where a producer receives an advance from more than one administrator, the assignments in these provinces will cause administrative difficulty; for example, if a producer has received a previous advance, it is not necessary for the administrator to obtain a priority agreement from the other administrator, although the administrator should verify if an assignment has been registered. The administrator issuing the second

advance should, however, notify the administrator issuing the first advance of the potential interest in the BRM program payments.

If there is a payment under the BRM program for the producer, the administrator receiving the cheque should verify the agricultural product to which the cheque relates. In provinces where the assignments are not product specific, the requirement to file all assignments can be discussed with program officials.

Only in the event of a Reseeding Benefit payment from PI being issued or for any other BRM program payments related to previous years, can the administrator not apply the payment on the outstanding advance, unless the producer is in default. In the case of a Reseeding Benefit payment from PI, the producer is allowed to use the payment to reseed acreage only when the administrator can verify there is a sufficient period to reseed and PI coverage is sufficient to secure the advance. In this case, the administrator will forward the PI Reseeding Benefit payment to the producer for the purpose of reseeding.

For the 2008-2009 production period, when PI is used as security on a producer's advances, the administrator will be responsible for collecting the information from the producer and entering it in the APP Electronic Delivery System. The administrator will also register the assignments, if repayment of the advance is, or is about to be, impaired; if the security is, or is about to be, placed in jeopardy; if a creditor has a previous assignment; or if a program claim is imminent. In cases where a producer uses AgriStability to secure the advance, the administrator shall collect the AgriStability information from the producer and enter it in the APP Electronic Delivery System. AAFC will collect this information on producers who have received an advance from each APP administrator (i.e., producer organization, producer's name, amount of advance received, etc.), and transfer it to the appropriate provincial AgriStability administrator to ensure future AgriStability program payments are assigned and sent directly to the administrator, until full payment of the producer's liability under the APP. The purpose of this procedure is to streamline the assignment of BRM program payments between APP administrators and BRM program administrators, with AgriStability as a first step towards a full electronic assignment registration procedure. Once implemented for the AgriStability program assignments, this procedure will then be extended to PI assignments as well as other BRM program assignments under the APP.

6.5.1.1 Additional Information on Assignment of AgriStability

Producers wishing to use AgriStability as security against an advance must first have a valid AgriStability account and reference margin, so that all the producer's obligations under AgriStability are fulfilled, making certain nothing hinders a potential payment from AgriStability.

If a producer participates in both PI and AgriStability and seeks an advance on an agricultural product covered by both programs, the producer must first use PI (multi-risk coverage required under the APP) before AgriStability to secure the advance. In addition, the producer must use the data from PI to calculate the eligible advance. If the

producer does not participate in PI, or the agricultural product for which an advance is sought is not covered by PI, the producer may then use AgriStability or another BRM program as listed in the Act as security against the advance.

AgriStability payments are not product specific but, instead, are related to the production year income losses regardless of the agricultural product to which the loss is attributed. For example, a producer may suffer an income loss due to increased expenses, causing a drop in the program year margin. The payment received by the producer for that loss is not attributed to a specific agricultural product but must be used to reduce the outstanding advance. Any AgriStability payments made to a producer due to income loss will first be directed to the administrator with first priority on those payments.

Where a producer receives advances from more than one administrator, the assignments of payments may be more difficult to track. If the producer has received another advance, the administrator must still have the producer assign any future AgriStability payments from the current production period as security against the APP advance. Both administrators will hold an assignment and must communicate with each other to ensure that if a payment is made, it is directed appropriately; therefore, it is the responsibility of each administrator to track assignments against AgriStability payments.

As AgriStability is a program that takes into account a producer's farm income as a whole, there is a possibility that a loss on one agricultural product is compensated with a gain on another; thus, the effect on the entire farm income does not produce a loss which affects the program payment. Where this is the case, the producer should provide the administrator with substantiated proof that a loss has been suffered, through the producer's income tax assessment or another source, and will be given 30 days to repay the outstanding advance without penalty.

6.5.2 Priority Agreement

The AMPA provides that the administrator have a security interest on any agricultural product and on future BRM program payments, as applicable to the product on which an advance is issued. The legislation further requires that the producer has not given the agricultural product/BRM program as security ranking in priority to that of the administrator. This means that should the need arise to seize the agricultural product or the proceeds of a program payment, the administrator would be the first to be paid from the proceeds. The priority agreement waives any right of the producer's lender to take precedence over the administrator with respect to the assignment pledged as security for the advance.

Where the producer has identified a lien or other security interest on the agricultural product, the administrator may request the advance cheque be issued to both the lender and the producer (as outlined in Appendix 1: Priority Agreement).

The AGA will require a priority agreement to be signed by the lender and/or supplier identified on the application as having a security interest in the agricultural product or an

assignment of the PI, AgriStability or any other BRM program payments used as security in the advance. The administrator must have first rank priority on the agricultural product and a priority over any previous assignments on these programs. The administrator must inform the producer that, should a default situation occur, the administrator will register a lien against any of the producer's future agricultural products. If no liens or assignments are identified, as a minimum a priority agreement must be completed by each party's lender entitled to a share in the agricultural product identified in the APP application. If a producer deals with more than one lender, separate priority agreements must be completed by each lender. The lender must explicitly state on the priority agreement the amount of funds in which they hold an interest, and the administrator must ensure that the priority agreement is completed properly, signed and dated.

As input suppliers are involved in input credit, it is important producers identify any liens their suppliers may have. Administrators must ensure a priority agreement for each of these encumbrances is obtained. This point should be stressed at every opportunity with the producers.

The administrator may use the signed priority agreement to register personal property security for all advances, or for only the larger ones. The administrator may also register personal property security as soon as there is any indication a producer might be experiencing financial difficulties, or the prospect of the advance being repaid may otherwise be hindered.

The administrator is responsible for ensuring the terms of the priority agreement are respected by the lender and/or supplier, with any transgressions being reported to an AAFC program manager.

6.6 Authorized Buyer Agreement

In order to facilitate the repayment of advances, an administrator may designate authorized buyers. Naming authorized buyers is beneficial to both the administrator and the buyers as it streamlines and simplifies the buying and selling process. An agreement is negotiated with each authorized buyer to deduct from the proceeds of sale an amount per unit of agricultural product equal to the rate per unit of the advance, and to forward the payment directly to the administrator to repay that portion of the advance. The agreement with all authorized buyers should be completed prior to the distribution of applications in order to provide producers with a list of all such buyers. Should a producer identify a buyer not on the list, the administrator can either negotiate an agreement with that particular buyer or ask the producer to make direct repayments in accordance with the repayment schedule agreed to prior to issuing the advance to the producer (please refer to Appendix 3 for a sample of an agreement between an administrator and a buyer. This is a general agreement that may be amended to meet the specific needs of an administrator). The producer must then sign an authorization to the buyer to make the deductions (Appendix 4).

Particular attention should be paid to the following points in the buyer agreement:

- a) The buyer shall withhold from the amount owing to a producer the amounts based on the rate per unit in effect at the time of repayments stipulated in the repayment schedule agreed to by the buyer and the administrator.
- b) The buyer shall remit to the administrator any amounts withheld under (1) above within 30 days from the date of purchase of the agricultural product. Exceptions may be granted on export sales.
- c) The buyer shall not credit any amount of money specified in number one (1) to any account which the producer may have with the buyer, to the buyer's own account or to the producer's account, until the advance and any accrued interest is repaid.

In the event the buyer does not comply with this agreement, the producer shall be liable for the full amount not remitted to the administrator, along with related interest and any costs directly associated with collection from the date the buyer received that unit of agricultural product from the producer.

6.7 Advance Calculation on Eligible Agricultural Products

Following are four examples of advance calculations for both agricultural products and livestock commodities. The first example is for agricultural products prior to harvest, with PI to secure the advance. The second is for the same agricultural products but with AgriStability to secure the advance. The third is for the same agricultural products but with the ASRA to secure the advance. The fourth is for livestock, using AgriStability to secure the advance. The fifth and final example is for storable agricultural products in post-production, such as agricultural products after harvest, which only require the security to be taken on the actual production.

Example 1: Advance Calculation on Storable Agricultural Products in Pre-Production using PI (e.g. crops prior to storage)

The advance will be calculated by multiplying the producer's insured yield protection under PI (the producer must have multi-risk coverage for PI under the APP) by the actual seeded acreage, and by the advance rate per production unit, which will be provided in the AGA. A first instalment of 60% of the eligible advance can be issued based on the intended seeded acreage for which the producer applied to PI. The first instalment can not exceed 60% of the maximum eligible advance.

For the second instalment, the total eligible advance will be recalculated based on the actual seeded acreage (as provided in the producer's PI report). The second instalment will equal the recalculated eligible advance minus the first instalment. This second instalment can be made only after the producer has submitted proof of an actual seeded

acreage report and if the producer's PI policy is in good standing. Should the producer provide an actual seeded acreage report before an application for an advance is completed, the advance can be issued in one instalment.

It is the administrator's responsibility to ensure the producer has provided a copy of the final seeded acreage report when the second instalment is issued. It is the producer's responsibility to remain in compliance with the terms of the PI policy.

All producers must provide a copy of their final seeded acreage report before being entitled to the second instalment, even when not requesting a second instalment after seeding. Failure to do so by August 1 of the year in which the advance was issued will result in the producer being declared in default. The administrator must inform producers of this requirement.

If, through no fault of the producer, there is a difference between the actual seeded acreage planted and the intended seeded acreage, to the extent that the producer is not eligible for the full amount of the first instalment already issued, the producer is responsible for repaying the difference; see Section 5.2 – Overpayment for details.

Producers must declare their yield intention and will be required to complete an assignment form, assigning any payments from the PI policy to the administrator to repay the advance, as security. The administrator, in turn, repays the loan from which the advances were made. Payments from the PI policy must first be applied toward paying the advance before the producer can receive the remainder of any of these payments.

Example of an advance calculation on storable agricultural products in pre-production using PI as security

1) First Instalment

AGRICULTURAL PRODUCT INFORMATION	ELIGIBLE ADVANCE BASED ON ANTICIPATED PRODUCTION			ELIGIBLE ADVANCE BASED ON PRODUCTION INSURANCE				
	Advance Rate per Unit (a)	Anticipated Production		Total (a x b)	Coverage Protection		Total (a x c x d)	
Quantity (b)		Unit of Measure	Protected Acreage (c)		Protected Yield (d)			
\$60 / tonne	200	tonnes	A	\$12,000	100	2 tonnes	B	\$12,000
Maximum Eligible Advance (lesser of A or B)							C	\$12,000
Proportion of advance attributed to 1 st instalment							X	60 %
1 st instalment of pre-production advance (\$)							=	\$7,200

2) Second Instalment

AGRICULTURAL PRODUCT INFORMATION	ELIGIBLE ADVANCE BASED ON ACTUAL ANTICIPATED PRODUCTION			ELIGIBLE ADVANCE BASED ON PRODUCTION INSURANCE				
	Advance Rate per Unit (a)	Actual Anticipated Production		Total (a x b)	Coverage Protection		Total (a x c x d)	
		Quantity (b)	Unit of Measure		Protected Acreage (c)	Protected Yield (d)		
\$60 / tonne	180	tonnes	A	\$10,800	100	2 tonnes	B	\$12,000
Maximum Eligible Advance (lesser of A or B)							C	\$10,800
1 st instalment issued							—	\$7,200
2 nd instalment of pre-production advance							=	\$3,600

Where the producer has received any previous advances (during the current production period, or the preceding production periods for which an advance is still outstanding), the outstanding advance and the one to be granted together can not exceed \$400,000 (see Section 5.3 – Overlap of Two Production Periods).

Storable agricultural products in pre-production, once harvested, become storable agricultural products in post-production and the actual production in storage is then sufficient for security. However, since the advance was calculated on the basis of the BRM program used to secure the advance in the spring, the level of security now using the actual production in storage must be recalculated. This recalculation is done according to the same method used for storable agricultural products in post-production (see Example 4 – Advance Calculation on Storable Agricultural Products in Post-Production) and must use the amount of production declared by the producer in the Post-Production Report, which must be submitted before December 31 or the producer will be declared in default.

In addition, to better reflect market conditions, the advance rates will be updated in the fall and will be in effect until the end of the production period. All advances must be issued and repaid at the advance rate in effect at the time of the transaction. The security recalculation done in the post-production report will also use these second advance rates, as confirmed to the administrator through the AGA (see Section 5.1 – Advance Cycles).

For cases where there is a difference between the advance calculations based on the actual production in storage and the advance issued prior to storage, please refer to Section 5.2 – Overpayment.

In cases where the difference between the actual volume of agricultural production in storage and the advance issued prior to storage is a result of the producer's decision, the producer is responsible for immediately repaying the total amount of the difference. If the producer fails to repay the difference, the producer will be declared in default.

If, after recalculation of the advance, the producer's production in storage is higher than the advance already issued, a final instalment of the difference may then be issued to the producer.

Example 2: Advance Calculation on Storable Agricultural Products in Pre-Production using AgriStability (e.g., crops prior to storage)

In order to determine the producer's eligible advance, the administrator must refer to the yield/acre data for that agricultural product from an established source provided by the producer or obtained elsewhere. If this information cannot be established by the administrator, the yield/acre information will be provided by AAFC and factored in the expected average market price provided in the AGA. The eligible advance will then be calculated by multiplying the producer's yield/acre, by the producer's intended seeded acreage, by the advance rate/unit provided in the agreement.

Once the producer's eligible advance has been calculated, the total program security must be calculated as outlined on the application form. For a producer using AgriStability as security, the producer must provide the CAIS/AgriStability option notice for 2007 to be eligible for an advance. The program security will be calculated by multiplying the producer's AgriStability reference margin, appearing on the 2007 CAIS/AgriStability option notice, by the factor corresponding to the government portion of a potential payment (i.e., 66.5%).

To Quebec administrators:

Since there is a link between AgriStability and ASRA in Quebec, the administrator must ensure that, in cases where the producer participates in AgriStability and ASRA, if ASRA benefits will be paid during the crop year for one of the agricultural products covered under the producer's AgriStability coverage, that the forecasted ASRA payments are deducted from the total security amount provided by AgriStability. The resulting amount represents total security provided by AgriStability based on APP advance calculations.

The administrator must only advance to the producer the lesser of either the eligible advance calculation or the total program security calculation. A first instalment of 60% of the total eligible advance (described as the admissible advance minus any previous advances, if applicable, so that the total eligible advance cannot bring a producer over the \$400,000 maximum). This first instalment must not exceed 60% of the total eligible advance. A second instalment of the remainder of the total eligible advance can be made after confirmation of the actual seeded acreage by the administrator; only after this confirmation can the producer receive the remainder of the eligible advance. The eligible advance is recalculated according to the confirmed seeded acreage and the second instalment is equal to the lesser of the recalculated total eligible advance and the calculated security, and is further reduced by the first instalment.

The advance can be made in one instalment if the actual seeded acreage can be confirmed by an inspection or by any other means prior to requesting an advance. Where the

producer has received any previous advances during the current production period or the preceding production period and in which an advance is still outstanding (i.e., overlapping production periods), all advances combined can not exceed \$400,000.

At any time during the production period, the AgriStability reference margin must be sufficient to cover the advance outstanding. The producer must inform the administrator of any change in this reference margin or program coverage.

Example of an advance calculation on a storable agricultural product in pre-production using AgriStability as security

1) First Instalment

AGRICULTURAL PRODUCT INFORMATION	ELIGIBLE ADVANCE BASED ON ANTICIPATED PRODUCTION					
Advance Rate per Unit (a)	Anticipated Production			Yield (e.g., X tonnes/acre) (c)	Total (a x b x c)	
	Quantity (b)	Unit of Measure				
\$2.00 / tonne	10,000	acre		2 tonnes / acre	A	\$40,000
ELIGIBLE ADVANCE BASED ON AGRISTABILITY						
AgriStability Reference Margin	X	Government Portion of Producer's Coverage	–	AgriStability Interim Payments Received To-date	=	Maximum AgriStability Security Available
\$22,000		66.5%		\$0		B \$14,630
Maximum Eligible Advance (lesser of A or B)						C \$14,630
Proportion of advance attributed to first instalment						X 60%
1 st instalment of pre-production advance (\$)						= \$8,778

In Quebec, if the producer participates in AgriStability and ASRA, use this table:

AGRICULTURAL PRODUCT INFORMATION	ELIGIBLE ADVANCE BASED ON ANTICIPATED PRODUCTION							
Advance Rate per Unit (a)	Anticipated Production			Yield (e.g., X tonnes/acre) (c)	Total (a x b x c)			
	Quantity (b)	Unit of Measure						
\$2.00 / tonne	10,000	acre		2 tonnes / acre	A	\$40,000		
ELIGIBLE ADVANCE BASED ON AGRISTABILITY (if the Quebec producer also participates in ASRA)								
AgriStability Reference Margin	X	Government Portion of Producer's Coverage	–	AgriStability Interim Payments Received To-date	–	Forecasted Payments under ASRA during Crop Year *1 (Quebec only)	=	Maximum AgriStability Security Available
\$22,000		66.5%		\$0		\$5,000		B \$9,630
Maximum Eligible Advance (lesser of A or B)								C \$9,630
Proportion of advance attributed to first instalment								X 60%
1 st instalment of pre-production advance (\$)								= \$5,778

*1 To determine the amount of the forecasted payments under ASRA, refer to example 3.

2) Second Instalment

AGRICULTURAL PRODUCT INFORMATION	ELIGIBLE ADVANCE BASED ON ANTICIPATED PRODUCTION					
	Advance Rate per Unit (a)	Actual Anticipated Production		Yield (e.g., X tonnes/acre) (c)	Total (a x b x c)	
Quantity (b)		Unit of measure				
\$2.00 / tonne	9,500	acre	2 tonnes / acre	A	\$38,000	
ELIGIBLE ADVANCE BASED ON AGRISTABILITY						
AgriStability Reference Margin	X	Government portion of Producer's coverage	–	AgriStability Interim payments received to date	=	Maximum AgriStability Security Available
\$ 22,000		66.5%		\$ 0		B \$14,630
Maximum Eligible Advance (lesser of A or B)					C	\$14,630
1 st instalment issued					–	\$8,778
Second instalment of pre-production advance (\$)					=	\$5,852

In Quebec, if the producer participates in AgriStability and ASRA, use this table:

AGRICULTURAL PRODUCT INFORMATION	ELIGIBLE ADVANCE BASED ON ANTICIPATED PRODUCTION							
	Advance Rate per Unit (a)	Actual Anticipated Production		Yield (e.g., X tonnes/acre) (c)	Total (a x b x c)			
Quantity (b)		Unit of measure						
\$2.00 / tonne	9,500	acre	2 tonnes / acre	A	\$38,000			
ELIGIBLE ADVANCE BASED ON AGRISTABILITY (if the Quebec producer also participates in ASRA)								
AgriStability Reference Margin	X	Government portion of Producer's coverage	–	AgriStability Interim payments received to date	–	Forecasted Payments under ASRA during Crop Year *1 (Quebec only)	=	Maximum AgriStability Security Available
\$ 22,000		66.5%		\$ 0		\$5,000		B \$9,630
Maximum Eligible Advance (lesser of A or B)							C	\$9,630
1 st instalment issued							–	\$5,778
First instalment of pre-production advance (\$)							=	\$3,852

*1 To determine the amount of the forecasted payments under ASRA, refer to example 3.

For agricultural products that can be harvested, only the actual production is used as security once the product is harvested (i.e., storable agricultural products in post-production). In this case, the level of security, now using the actual production in storage, must be recalculated according to the method used for storable agricultural products in post-production (see Example 5 in Section 6.7 – Advance Calculation on Storable Agricultural Products in Post-Production). In order to do so, the producer must submit a post-production report identifying the product in storage. If the security

recalculation is lower than the actual advance, through no fault of the producer, the producer then has 30 days to repay the amount of the difference; see Section 5.2 – Overpayment for details. The producer has until December 31 to provide a post-production report or otherwise will be declared in default.

Example 3: Advance Calculations on Storable Agricultural Products in Pre-Production and with the ASRA Program as Security (agricultural products before storage, for example) – Program Unique to Quebec

In order to determine the producer's eligible advance, the administrator must refer to the yield/acre data for that agricultural product from an established source provided by the producer or obtained elsewhere. If this information cannot be established by the administrator, the yield/acre information will be provided by AAFC and factored in the expected average market price provided in the AGA. The eligible advance will then be calculated by multiplying the producer's yield/acre, by the producer's intended seeded acreage and by the advance rate/unit provided in the agreement.

Once the producer's eligible advance has been calculated, the total BRM program security must be calculated as outlined on the application form. If ASRA is used as security for an advance, the producer must provide the contribution notice from ASRA for 2008 to be eligible for an advance. The program security will be calculated by multiplying the number of agricultural product units by unit "Stabilized Income" under ASRA. The administrator can obtain the data required for establishing stabilized income from the organization that signs ASRA contracts with producers. Currently, Financière agricole du Quebec administers this program.

The administrator must only advance to the producer the lesser of either the eligible advance calculation or the total program security calculation. A first instalment of 60% of the total eligible advance (described as the admissible advance minus any previous advances, if applicable, so that the total eligible advance cannot bring a producer over the \$400,000 maximum). This first instalment must not exceed 60% of the total eligible advance. A second instalment of the remainder of the total eligible advance can be made after confirmation of the actual seeded acreage by the administrator. Only after this confirmation can the producer receive the remainder of the eligible advance. The eligible advance is recalculated according to the confirmed seeded acreage, and the second instalment is equal to the lesser of the recalculated total eligible advance and the calculated security, and is further reduced by the first instalment.

The advance can be made in one instalment if the actual seeded acreage can be confirmed by an inspection or by any other means prior to requesting an advance. Where the producer has received any previous advances during the current production period or the preceding production period and in which an advance is still outstanding (i.e., overlapping production periods), all advances combined can not exceed \$400,000.

At any time during the production period, the total ASRA security must be sufficient to cover the advance outstanding. The producer must inform the administrator of any change in ASRA coverage.

Example of an advance calculation on a storable agricultural product in pre-production using ASRA as security

1) First Instalment:

A) If the producer participates in ASRA and AgriStability:

AGRICULTURAL PRODUCT INFORMATION		ELIGIBLE ADVANCE BASED ON ANTICIPATED PRODUCTION							
Advance Rate per Unit (a)	Anticipated Production				Yield (e.g., X tonnes/acre) (c)	Total (a x b x c)			
	Quantity (b)	Unit of Measure							
\$2.00 / tonne	10,000	acre			2 tonnes / acre	A	\$40,000		
ELIGIBLE ADVANCE BASED ON ASRA									
If the producer participates in ASRA and AgriStability	Stabilized income per unit	X	100%	X	Quantity	Unit of Measure	ASRA Payments Received to Date	=	Maximum ASRA Security Available
	\$150.00				300	tonne	\$0	B	\$45,000
Maximum Eligible Advance (lesser of A or B)								C	\$40,000
Proportion of advance attributed to first instalment								X	60%
1 st instalment of pre-production advance (\$)								=	\$24,000

B) If the producer participates only in ASRA and not in AgriStability:

ASRA compensation is reduced by 40% if the producer does not participate in AgriStability.

AGRICULTURAL PRODUCT INFORMATION		ELIGIBLE ADVANCE BASED ON ANTICIPATED PRODUCTION							
Advance Rate per Unit (a)	Anticipated Production				Yield (e.g., X tonnes/acre) (c)	Total (a x b x c)			
	Quantity (b)	Unit of Measure							
\$2.00 / tonne	10,000	acre			2 tonnes / acre	A	\$40,000		
ELIGIBLE ADVANCE BASED ON ASRA									
If the producer participates only in ASRA and not AgriStability	Stabilized income per unit	X	60%	X	Quantity	Unit of Measure	ASRA Payments Received to Date	=	Maximum ASRA Security Available
	\$150.00				300	tonne	\$0	B	\$27,000
Maximum Eligible Advance (lesser of A or B)								C	\$27,000
Proportion of advance attributed to first instalment								X	60%
1 st instalment of pre-production advance (\$)								=	\$16,200

2) Second Instalment:

A) If the producer participates in ASRA and AgriStability:

AGRICULTURAL PRODUCT INFORMATION		ELIGIBLE ADVANCE BASED ON ANTICIPATED PRODUCTION							
Advance Rate per Unit (a)	Anticipated Production			Yield (e.g., X tonnes/acre) (c)	Total (a x b x c)				
	Quantity (b)	Unit of Measure							
\$2.00 / tonne	9,500	acre		2 tonnes / acre	A	\$38,000			
ELIGIBLE ADVANCE BASED ON ASRA									
If the producer participates in ASRA and AgriStability	Stabilized income per unit	X	100%	X	Quantity	Unit of Measure	ASRA Payments Received to Date	=	Maximum ASRA Security Available
	\$150.00				300	tonne	\$5,000	B	\$40,000
Maximum Eligible Advance (lesser of A or B)								C	\$38,000
1 st instalment issued								-	\$24,000
2 nd instalment of pre-production advance (\$)								=	\$14,000

B) If the producer participates only in ASRA and not AgriStability:

AGRICULTURAL PRODUCT INFORMATION		ELIGIBLE ADVANCE BASED ON ANTICIPATED PRODUCTION							
Advance Rate per Unit (a)	Anticipated Production			Yield (e.g., X tonnes/acre) (c)	Total (a x b x c)				
	Quantity (b)	Unit of Measure							
\$2.00 / tonne	9,500	acre		2 tonnes / acre	A	\$38,000			
ELIGIBLE ADVANCE BASED ON ASRA									
If the producer participates only in ASRA and not AgriStability	Stabilized income per unit	X	60%	X	Quantity	Unit of Measure	ASRA Payments Received to Date	=	Maximum ASRA Security Available
	\$150.00				300	tonne	\$5,000	B	\$22,000
Maximum Eligible Advance (lesser of A or B)								C	\$22,000
1 st instalment issued								-	\$16,200
2 nd instalment of pre-production advance (\$)								=	\$5,800

For agricultural products that can be harvested, only the actual production is used as security once the product is harvested (i.e., storable agricultural products in post-production). In this case, the level of security, now using the actual production in storage, must be recalculated according to the method used for storable agricultural products in post-production (see Example 5 in Section 6.7 – Advance Calculation on Storable Agricultural Products in Post-Production). In order to do so, the producer must submit a post-production report identifying the quantity of the product in storage. If the security recalculation is lower than the actual advance, through no fault of the producer, the producer then has 30 days to repay the amount of the difference (see Section 5.2

Overpayment). The producer has until December 31 to provide a post-production report or otherwise will be declared in default.

Example 4: Advance Calculation on Livestock

The eligible advance for livestock will be calculated by multiplying the number of head currently in inventory by the advance rate per production unit provided in the AGA to a maximum of \$400,000.

The administrator must have the producer demonstrate participation in a BRM program, the proceeds of which will only be used to repay the advance if the producer goes into default under the repayment agreement.

Example of an advance calculation on livestock

ELIGIBLE ADVANCE BASED ON LIVESTOCK INVENTORY						
Type of Livestock	Advance Rate	X	Anticipated Inventory		=	Total (\$)
			Quantity	Unit of Measure		
Hog - Weaned Piglets (5-10 kg)	\$17 / head		1000	head		\$17,000
Maximum Eligible Advance based on livestock inventory						\$17,000

Where the producer has received any previous advances during the current production period or the preceding production period and in which an advance is still outstanding, all advances combined can not exceed \$400,000 (see Section 5.3 – Overlap of Two Production Periods).

For cases where there exists a difference between the recalculated advance using the new rates and the advance already issued, please refer to Section 5.21 – Overpayment.

Example 5: Advance Calculation on Storable Agricultural Products in Post-Production (e.g., crops after harvest)

The amount of an eligible advance is calculated by multiplying the amount of agricultural product units in storage for which the advance is requested by the advance rate per unit as provided in the AGA.

Example of an advance calculation on storable agricultural products

ELIGIBLE ADVANCE BASED ON AGRICULTURAL PRODUCT INVENTORY						
Agricultural Product	Quantity of Agricultural Product in Storage	Unit of Measure	X	Post-Production Advance Rate	=	Total
Soybeans	360	tonnes		\$180		\$64,800
Maximum Eligible Advance (\$)						A \$64,800

As noted previously, the total advance must not exceed \$400,000 including times when two production periods overlap (see Section 5.3 – Overlap of Two Production Periods).

6.8 Issuing the Cheque

An advance can be made only once the producer has signed all required forms as per Section 6.1 – Producer Application of these guidelines.

Once the administrator is ready to make an advance, the following steps must be taken:

- the advance payment cheque is made payable to the producer whose name appears on the application. If an individual of a corporation, partnership or cooperative completes the application, the cheque must be made payable to that corporation, partnership or cooperative. However, where the lender has a lien or other security interest on the agricultural product, the lender may request the cheque be made payable to both the producer and the lender. This requirement is outlined in the Priority Agreement (Appendix 1);
- the administrator must ensure the producer has an eligible BRM program to secure all advances on storable agricultural products in pre-production (i.e., crops prior to harvest) and non-storable agricultural products;
- the administrator must ascertain the producer has sufficient production in storage to cover the advance, in the case of storable agricultural products in post-production (i.e., crops after harvest);
- the administrator must ascertain that livestock producers participate in a BRM program and have sufficient inventory to cover the advance;
- the administrator must make certain procedures are in place to ensure agricultural products in post-production are adequately stored so they will remain in marketable quality until disposed of; and
- a copy of the cancelled cheque issued to the producer (or other proof the cheque was issued) is kept in the producer's file.

Prior to releasing the advance payment cheque, the administrator should consider whether market conditions have changed in such a way that they could impact upon the producer's ability to repay the advance at the same rate the producer received for the advance (e.g., if there is a decrease in the expected market price). This is part of the administrator's responsibility in exercising due diligence. If this situation arises, please contact AAFC program officials to discuss an appropriate course of action.

For storable agricultural products in pre-production, the first instalment of 60% of the eligible advance is made. The second instalment can be made once the producer provides documentation demonstrating coverage or participation under the program used as security. Documents necessary to the advance being issued depend on the type of program used as security (see Section 6.5 – Securing the Advance).

6.9 Repayment

Producers participating in the APP must repay their advances through the sale of their agricultural products, at the rate per unit in effect at the time of repayment. In the case of agricultural product loss, failure, default or disaster, the BRM program security will be

used to cover the outstanding total advance where the advances have not yet been reimbursed.

At the first sale or disposal of the agricultural product for which the advance was received, the appropriate portion of the advance must be repaid. The initial repayments must be credited to the producer's interest-free account first, regardless of the agricultural product sold. A producer cannot designate only part of an agricultural product as being under the advance and therefore can not choose to repay the advance only on the last portions sold.

All outstanding advances must be repaid to the administrator prior to the end of the production period stated in the agreement. A period of 15 days is allowed for administrators to receive repayment from producers to account for cheques in transit; however, all repayments must be done by the producers before the end of the production period; that is, if there is an outstanding advance at the end of the production period, that producer is to be declared in default, taking into account the 15 days for cheques in transit, with the date on the cheque as proof.

6.9.1 Terms and Conditions of Repayment Agreement

The application for an advance outlines the repayment terms of the advance. All producers receiving an advance must complete and sign this application, which includes the terms and conditions of repayment. These are general in nature and may not meet the needs of all administrators. Should the administrator choose not to use the sample template, provisions similar to those in Section 10(2) of the AMPA must be included in the application, including:

- the repayment of the advance directly to the administrator, either through an authorized buyer, or, as applicable, through the proceeds of an eligible BRM program;
- if applicable, a provision that states the administrator will deduct from the total advance the applicable administration fees;
- a provision to keep the agricultural product adequately stored and in good marketing condition;
- a provision that states the producer is aware there will be a price change in the fall to better accommodate current market prices; that any subsequent requests for an advance will be issued based on the price change, if applicable; and that the producer could be asked to repay the difference between the rates and the advance already received; and
- compliance with the other provisions of the agreement, including:
 - terms and conditions governing the delivery of the agricultural product and the payment of interest, both before and after any default,
 - a requirement that, in the case of default, the producer pays all costs associated with the recovery of the amount outstanding as well as the interest paid on the producer's behalf by AAFC,

- a provision stating that should the producer go into default, the administrator may register a lien against any future agricultural product to cover the portion of the default, and
- a provision that the Repayment Agreement may only be amended when the producer's grain production quality has been lowered, through no fault of the producer, and to such an extent that feeding it to the producer's livestock is now more beneficial than selling it or purchasing feed. This amendment must substantially conform to the Amendment of the Repayment Agreement form; will not be retroactive; and will come into force the day it is signed by both the producer and the administrator. The amendment will describe the terms of repayment of the advance, when the producer faces such circumstances (see Section 6.8.2 – Repayment Options).

6.9.2 Repayment Options

In order to receive an advance, the producer must sign a declaration agreeing to the terms and conditions of the Repayment Agreement contained in the application. In all cases, repayment of the advance is from the first agricultural product sold of the type to which the advance was issued. Unless otherwise specified in the agreement, repayments are applied first to the principal portion of the advance on which the Minister is paying interest.

Three types of repayment methods are available to the producers:

1. Repayments through authorized buyers

- the producer repays by selling the agricultural product to a buyer authorized by the administrator to make deductions on the proceeds of sale (at the rate per unit in effect at the time of sale); the buyer then submits the proceeds of the sale directly to the administrator towards repayment of the advance and any accrued interest (see Section 6.6 – Authorized Buyer Agreement).

2. Direct repayments

- where it is impractical for the producer to sell through an authorized buyer (e.g., farm-to-farm sales), the administrator may authorize the direct repayment option in the application form;
- in the case of farm-to-farm sales, producers will provide proof of sale;
- the producer repays directly to the administrator within seven days of receipt of payment or a maximum of 45 days from delivery to the buyer, whichever is sooner. The repayment is made at the rate per unit in effect at the time the repayment is made. Exceptions to the required number of repayment days (as above) may be granted on export sales;

- the administrator should require the producer to substantiate the date of sale by providing proof of sale and bills of lading. However, Section 10(2) of the AMPA provides that the administrator may allow producers to pay without proof up to an amount specified in the repayment agreement but not exceeding the maximum amount specified by the regulations (see Section 6.9.3 – Cash Repayments); and
 - for cases where grain production quality has been lowered to such an extent that feeding it to the producer’s livestock is now more beneficial than selling it or purchasing feed, see Section 6.9.3 – Cash Repayments.
3. Repayments through a program used as a security on the advance (only in the case of failure)
- if a producer is eligible to receive a payment under a BRM program which is used as a security on the advance, the payment must be used to repay the outstanding advance first; and
 - when a producer repays the advance from the proceeds of a BRM program, no proof of sale is required and no interest is to be charged to the producer for that portion of the advance being repaid.

Provided they can demonstrate there are sufficient animals in inventory throughout the period to cover the advance, livestock producers operating a continuous flow operation must repay the amount of the advance within 15 calendar days after 12 months of the advance being issued, or before the end of the production period, whichever is earlier.

Some administrators have used a system of post-dated cheques to facilitate repayment in the case of farm-to-farm sales. When the advance is issued, the producer provides post-dated cheques based on an anticipated sales schedule. The producer is responsible for reporting any variation from the schedule and providing the necessary cheques to substantiate the variation. This additional flexibility does not waive the producer’s obligation to provide a proof of sale of the agricultural product. All advances must be repaid and the proof of sale for the agricultural products for which these advances were received must be provided by the end of the production period.

6.9.3 Cash Repayments

According to the regulations, a producer may pay, without proof of sale, \$1,000 or a percentage not to exceed 10% of the total amount advanced (the exact percentage to be specified in the AGA), whichever is greater.

Any amounts repaid in cash above the limits and without proof of sale or proof that the funds were received from a BRM program are subject to interest at the rate established in the terms of the Repayment Agreement on the excess amount from the day the advance was received by the producer to the day the repayment was made. The administrator must submit a Cash Repayment Report within 15 business days following the date a cash repayment was made by a producer. The producer has until the end of the production

period to submit to the administrator proof of sale on the agricultural product for which the cash repayment was made without being charged the interest penalty. If the producer cannot, the administrator shall submit the collected interest on the cash repayment amount to the Minister no later than 15 business days following the end of the production period.

Producers using AgriStability as security against their advance may experience a loss on one agricultural product but a gain on another, creating an offset in losses that does not trigger an AgriStability payment. Where this occurs, the producer will be granted 30 days to repay the advance without a cash repayment penalty, provided proof that a loss has occurred can be submitted with documentation (such as an income tax assessment).

Occasionally, producers receive an advance for the seeding of their grain in the spring (i.e., storable agricultural products in pre-production) and then find, once the grain is harvested, the expected quality of production is lowered, through no fault of their own, and to such an extent that feeding it to their livestock is more beneficial than selling it or purchasing feed. These producers may be allowed to reimburse the advance in cash without penalty. This repayment option requires an amendment by having both the producer and administrator sign the Amendment of the Repayment Agreement form (Appendix 14). The producer must also provide a feeding schedule and a series of post-dated cheques that coincide with this schedule. Failing to sign the amendment or comply with its provisions, or failing to provide the required documentation, would place the producer in default.

Although there are provisions for cash repayment, nothing in the regulations removes the obligation of a producer to have adequate agricultural product to cover the amount of the advance. The cash repayment provision is intended to allow for dockage, bin audit shortages, shrinkage and livestock death; it is not intended to allow for spoilage. Should an inspection reveal that a producer does not have sufficient agricultural product to cover the remaining amount of the advance, it is the responsibility of the administrator to declare the producer in default and advise AAFC, by submitting a non-compliance report within 15 business days from the date the producer was declared in default.

6.10 Sales Information

The administrator should verify that repayment of the advance is timely by ensuring repayment is made within the time frame allowed for in the agreement between the administrator and producer. Any delay in repayment should be investigated and corrective action taken.

The administrator should also verify the advance is being repaid at the rate per unit in effect at the time of repayment and that it is made against the agricultural product for which the advance was issued. Any significant discrepancies should be investigated and action taken to rectify the situation.

In order to verify how promptly repayments are made, the administrator could request the following:

- for direct repayments, the producer could provide copies of sales slips, bills of lading or cash tickets, etc., which identify the date of sale and the quantity of agricultural products sold; or
- for sales through an authorized buyer, the buyer must be required to remit with repayments to the administrator the date of sale and the quantity of agricultural products sold.

The administrator could consider cancelling the designation of any buyer not remitting promptly. However, the producer is ultimately responsible for the repayment of the advances, including any interest charges resulting from late repayment or insufficient repayment, whether caused by the producer or the buyer.

6.11 Recovering Administration Costs

The administrator may charge fees to producers to cover administration costs of the program, including fees for receiving and dealing with APP applications for advances and for administering advances (subject to any terms and conditions of the AGA). Should an inquiry arise from the producers served by the administrator, or the Minister, the administrator should be prepared to show documentation that the fees are only covering administrative costs. The following are options to consider:

- charge a flat fee for each producer;
- charge a percentage of the total advance amount; or
- charge a flat fee for the application, as well as an additional fee for the direct costs of other activities, such as inspections, credit check, etc.

Administration fees may be deducted from the advance, provided that a clause to this effect is included in the terms and conditions of the repayment agreement. Otherwise, a separate cheque could be requested from the producer.

7. Ensuring Repayments

Since, under the AMPA, an administrator's liability varies depending on that administrator's default history, it is in the administrator's best interest to implement procedures to minimize defaults in order to limit liability. Two factors that have proven effective in achieving a low default rate are the evaluation of the producer's credit-worthiness and by ensuring (i.e., through inspections) that the advance is secured by a BRM program or by the stored agricultural product. Furthermore, if the agricultural product secures the advance, the administrator should make certain the product is of marketable quality and is adequately stored. In their applications, the administrators must indicate their proposed approaches related to these two items. If the approach is considered sufficient for limiting the Government's and the administrator's risk, the

method will be included in the AGA. If program officials determine that additional elements are needed, the administrator will be contacted to discuss options before the agreement is drafted.

8. Inspection

The advance application form should clearly indicate the administrator has the right to inspect the agricultural product at any time during the production period. When applying to administer the program, administrators must clearly identify their inspection procedures and include it in the producer's application for an advance.

Although an inspection rate of 100% is preferred, some administrators may not find this practical or feasible. In developing an alternative system aimed at achieving the same goals, the administrators should consider the following:

- the availability and accuracy of documentation from other sources in establishing the volume and quantity of the agricultural product a producer has in storage or on the farm;
- the amount of control the administrator has on a marketing system;
- if the producer sells through authorized buyers;
- if the agricultural product is in commercial storage;
- if the agricultural product is in a storage facility controlled by the administrator; and
- if the agricultural product is being held at another location other than the producer's own farm.

The following are options to consider as part of the inspection approach:

- where the agricultural product is either stored or raised on the farm, one inspection prior to the issuance of an advance, with additional inspections during the production period as needed. Third-party inspections (storage reports) could be used instead of direct inspections of commercial storage;
- where the agricultural product is stored in the administrator's facilities, one inspection upon its delivery to the facilities prior to the issuance of an advance. Thereafter, normal verification done by the administrator's staff to verify its condition may be sufficient;
- a review of inspection reports from other programs, such as PI, could be used instead of an inspection by or on behalf of the administrator;
- a review of land use and information on provincial yield potential to establish if the claims on a producer's application are reasonable; or

- any combination of the above, based on a producer's history in the program. For example, if a producer has been in the program for three years and in compliance with the repayment agreement every year, only a minimal inspection requirement would be considered necessary.

8.1 Inspection Procedures

Inspections could be conducted on a monitoring basis after the advances are made. Any producers found not in compliance could be penalized to the extent allowable under the agreement and the Act. In order to ensure the producer accepts the results of the inspection done on the agricultural product, the following should be considered:

- an inspection report must be completed and filed for each inspection (see Appendix 5A and Appendix 5B);
- the entire report should be completed. It is important to identify the estimated amount of loss, cullage, shrinkage and spoilage in order to determine the remaining amount available for sale. Where not applicable, "N/A" should be marked in the field;
- both the producer and the inspector should sign and date the inspection form;
- the inspector should note in the "Comments" section any concerns with the quality and/or condition of the agricultural product and the adequacy of the storage or barn facility; and
- a clear breakdown by producer should be provided, if they are holding their agricultural product jointly.

When an inspection is conducted during the production period, the administrator should reconcile the difference between the quantity of agricultural product on which the advance was received, and the quantity of agricultural product on hand, as per the inspection report, with the repayments received (Appendix 6). If it is determined that the producer has not been repaying in accordance with the terms of the Repayment Agreement, the action outlined in Section 8.3 – Follow-up on Inspections and Sales Information should be taken. In some cases, the administrator may be required to submit these reconciliations to AAFC as per the AGA.

8.2 Additional Information on the Inspection of Livestock

The administrator must establish a system of verifying livestock inventories to ensure animals are kept in good marketable condition and the inventory is sufficient to cover the outstanding advance.

Such a mechanism may leverage current methods of livestock identification and tracking already in use within the sector. Organizations wishing to administer the APP must submit their proposed method for inspection to AAFC with their application to administer the program. If this proposal is found to be sufficient to ensure repayment of advances, AAFC will include it in the terms of the agreement.

8.3 Follow-up on Inspections and Sales Information

If the producer does not have sufficient agricultural product on hand to cover the balance of the outstanding advance, the administrator should:

- determine if a recent sale has been made and repayment equal to the amount of the discrepancy is forthcoming;
- send the producer a letter requesting payment within 30 business days and indicating that if payment is not received, the producer will be declared in default;
- if it is determined the producer has not respected the terms of the repayment agreement, the administrator must declare the producer in default and inform AAFC by submitting a non-compliance report within the period specified in the agreement; and
- in the case of agricultural product failure, determine if a payment from a BRM program will be issued and take action necessary to collect from such a program.

9. Emergency Advances

All terms and conditions in the agreement pertaining to emergency advances must be included in the repayment agreement of the producer receiving this type of advance. Any repayment of emergency advances will be made according to the terms and conditions specified in the repayment agreement. The administrator must register any liens at the time the emergency advance is issued.

The AMPA has provisions for two types of emergency advances for eligible producers.

9.1 Weather or Natural Disaster

Where an eligible producer has difficulty producing the agricultural product because of unusual production conditions that are attributable to weather or natural disaster, and it is otherwise reasonable to expect the agricultural product will be marketable, the Minister may enter into an agreement with the administrator authorizing that a portion of the advance be paid as an emergency advance. The maximum amount of such an emergency advance is the lesser of \$25,000 or 50% of the advance the administrator expects to make on the agricultural product expected to be produced.

9.2 Severe Economic Hardship

Where a class of similar producers (i.e., industry, or an industry in a region) is experiencing severe economic hardship, emergency advances can be issued provided that they mitigate the situation at hand. Such advances can only be issued when authorization

is given by the Governor in Council on the recommendation of the Minister of Agriculture and Agri-Food and the Minister of Finance.

These emergency advances will be issued only for a time period specified by the Governor in Council and will not exceed the production period specified in the AGA. The maximum emergency amount available to eligible producers facing conditions of severe economic hardship is \$400,000 or 100% of the advance the administrator would have otherwise expected to make based on anticipated inventory production during the time specified by the Governor in Council. The Minister is not required to pay the interest on an emergency advance, unless the agreement with the administrator provides for its payment.

10. Record Keeping

The administrator is fully responsible for maintaining the operational control of the advance issuing and recovery process. Maintenance of accurate and up-to-date records is critical for safeguarding effective management and it is imperative the administrator keep current and complete files. These files will be reviewed during any monitoring done by program officials or consultants hired on behalf of AAFC. The following outlines the files to be kept:

10.1 Program File

The administrator must maintain a program file with, as a minimum, copies of the following documentation:

- the administrator application submitted to AAFC and a signed copy of the AGA;
- agreements with all authorized buyers (Appendix 3);
- agreement with the lender;
- copies of the producer advance and repayment declarations submitted to AAFC;
- documentation of any decisions dealing with the administration of the program;
- all correspondence related to the program, including that with AAFC; and
- documents concerning the registration and assignment of security.

10.2 Producer File

The administrator must maintain a separate file for each producer receiving an advance. A copy of the file contents must be submitted to AAFC if the producer is declared in default and the administrator requests AAFC to honour the guarantee. These files must contain the following documents and information (where applicable):

Eligibility & Application	<ul style="list-style-type: none"> - producer advance calculation; - producer's application; - producer declaration; - list of all related producers, shareholders, members or partners with the attributable percentage; or person or entity entitled to the agricultural product or a share of it as lessor, vendor, mortgagee, or hypothecary creditor; - Personal Guarantee (if applicable); - in the case of a partnership or corporation/co-operative application, the Joint & Several Guarantee Agreement; - Priority Agreement (Appendix 1); - a partnership agreement, registered or unregistered, together with the names of all shareholders, members or partners; - producer's authorization for deduction by a buyer (Appendix 4); and - documentation of the approval of the application. 	
Security and Advance Administration	<i>Security</i>	<ul style="list-style-type: none"> - assignment forms for the BRM programs used as security (Appendix 2); and - proof of all perils insurance coverage on the producer's or administrator's storage facilities, whichever is applicable.
	<i>Advance Administration</i>	<ul style="list-style-type: none"> - documentation of the assessment of the producer's credit-worthiness performed prior to the issuance of the advance; - cleared cheques as evidence of an advance being made to the applicant, or a record of the cheque stub information; - inspection reports or other documents establishing the volume or quantity of non-storable agricultural products, such as livestock (Appendix 5A) or that in storage (Appendix 5B); - reconciliations of the producer's repayment to each inspection (Appendix 6: Analysis of Inspection); - copy of the producer's repayment and sales schedule if the producer is repaying through post-dated cheques (in the case of farm-to-farm sales); - notification by producer of any difficulties with the repayment arrangements; - ledger cards or other electronic documentation reflecting advances, repayments, collections and collecting methods; - documentation of repayments, including cash repayments, interest payments, remittances, etc.; - any sales information to verify the promptness of payments; and - analysis of the producer's potential for default.
Defaults	<ul style="list-style-type: none"> - settlement agreement between defaulted producer and administrator (Appendix 13); - a detailed account of action taken on the producer's default; - all follow-up correspondence pertaining to legal procedures or other collection efforts, including any notices filed to a trustee in the case of a bankruptcy or estate; and - a copy of correspondence with judicial authorities pertaining to any potential offences under the AMPA. 	

10.3 Lender & Reconciliation File

The administrator must maintain a lender reconciliation file with, as a minimum, copies of the following documentation:

- deposit book;
- lender's monthly statement;
- monthly reconciliation of the lender's statement;
- diary of actions taken to rectify any discrepancies between the lender's records and the administrator's records; and
- end of production period report.

10.4 Accounting Files

Although some administrators prefer to use paper records, electronic bookkeeping software is acceptable. To ensure the minimum in accounting standards, the following records should be maintained:

Disbursement Journal

This journal is a permanent record of all advances issued. It may be replaced by a cheque register which would include the following:

- cheque number and date the cheque was issued;
- name of producer and APP #; and
- amount of advance (cheque).

At month's end, a calculation to total all disbursements should be made and posted to the General Ledger Control.

Receipts Journal

This journal is a permanent record of all repayments. It may be replaced by a bank deposit register which would include the following:

- date of deposit and the producer's name and APP #;
- amount of deposit; and
- source of deposit (i.e., producer, collection agency or lawyer).

At month's end, the total of all deposits should be calculated and posted to the General Ledger Control.

Individual Producer Ledger Cards

This ledger should be continually updated to reflect the producer's outstanding balance and to prepare the producer's statement of account. There should be one ledger card for each producer which should include:

- the producer's name, APP #, address and amount advanced;

- the dates on which cheques were issued (disbursements) or received (deposits);
- the dates on which cheques cleared the loan account;
- the dates of producer reimbursement and source of funds received (from producer and/or buyer, or collection agency); and
- the holdback percentage and amount of holdback taken.

The ledger cards must balance with the general ledger control on a monthly basis.

General Ledger Control

This ledger will summarize the journals on a monthly basis and will include:

- totals from disbursement journal;
- totals from receipts journal;
- reconciliations with totals from individual producer ledger cards on a monthly basis;
- reconciliations to lender statement on a monthly basis (this must be submitted to AAFC within 15 business days of month's end, along with the claim for reimbursement of interest).

11. Banking Arrangements

A lender is a financial institution as defined in Section 2 of the *Bank Act*, or other legal entity that the Minister of Finance may designate upon the application of that entity. Any lender meeting that definition under the AMPA may provide the financing for advances.

If the administrator wishes to use a lender that does not fall under this section of the Act, that lender must make an application to the Minister of Agriculture who, in turn, will make a recommendation to the Minister of Finance.

11.1 Bank Accounts

In administering the program, each administrator must have all of the following (where applicable):

Loan Accounts

Advances up to \$100,000

This account is to be used exclusively for the issuance and the repayment of advances up to \$100,000 for the production period (interest-free portion of the advance). A separate account must be opened every production period, in order for advances to be attributable to that particular production period. AAFC will pay the interest on the monthly balance of advances held in this account.

Bank charges to the account, other than regular monthly interest, are the responsibility of the administrator and must be paid to the account every month they are due. AAFC will not pay the interest on these charges.

Advances greater than \$100,000

This account is to be used exclusively for the issuance and repayment of advances greater than \$100,000 for the production period. A separate account must be opened every production period to allow advances to be attributed to that production period.

Interest Suspense Account

Each administrator may need an interest suspense account. If the administrator does not pay the interest on the loan account for advances under \$100,000 as it comes due, the interest charges can be applied to the suspense account. The interest cheque from the government can then be applied to this account.

Default Account

If there are defaults at the end of a production period, the administrator must transfer the outstanding advances for those producers into a default account. As it is a separate account, the default account will facilitate the interest calculations for the producers in default, which must be paid by the administrator and charged back to the defaulted producer. If the administrator has defaults for more than one production period, defaults from each particular production period must be kept in separate accounts.

Trust Account

If the administrator is using holdbacks to cover its portion of the liability, these must be held in a trust account. The lending arrangements should clearly indicate that such an account is held in trust for the producers and may be used to cover the administrator's liability on the default of a producer. If the producer repays the advance, the administrator must reimburse the holdback to the producer. If the trust account accumulates interest, the interest should also be credited to the producer.

11.2 Bank Agreements

Each administrator shall have an agreement with its lender. This agreement must identify the interest rate to be charged, account numbers to be used and any special arrangements (such as direct deposit). The AGA between the administrator and the lender states the interest rate charged to the Minister cannot exceed the administrator's cost of borrowing, which is the lesser of prime minus one-quarter of one percentage point or the rate specified in the agreement. This provision limits the cost to the Crown of running the program for the interest-free provision of the AMPA and limits the liability in the case of defaults.

If there are special arrangements for making payments to the lender, such as all interest payments being directed to a central branch, AAFC program officials should be informed in writing so interest payments can be directed appropriately.

11.3 Other Methods of Financing

There are alternate methods of financing available on the market, other than the line of credit established by the administrator through a lender, which may be available at a lower interest rate.

The benefits of these methods are:

- a reduction of the interest cost for AAFC, thereby reducing overall program costs, making the availability of the program to a broader section of the industry; and
- the reduction of interest paid by the producer for advances greater than \$100,000.

The most common method used by administrators under the program is bankers' acceptances. These are money market instruments linking those with short-term cash surpluses to those with short-term cash needs, such as administrators of this program. With these instruments, the financing rate obtained by the administrator is considerably better than would be offered on a line of credit. Any administrator with advances in excess of \$2,000,000 should discuss the use of bankers' acceptances with its lending institution.

11.4 Assignment of Guarantee

With a tripartite agreement between AAFC, the administrator and the lender, it is unlikely that lenders will require an assignment of Crown debt. However, some lenders may request an assignment of the rights and privileges under the AGA. If the lender requires an assignment, it should be indicated in the application, and the lender may contact the program manager directly to discuss its merits.

11.5 Interest Claims and Bank Reconciliations

Interest Claim

AAFC pays directly to the lender designated by the administrator the interest costs on advances of up to \$100,000. Interest claims must be submitted to AAFC on a monthly basis within 15 business days of the end of each month, using the APP Electronic Delivery System. This system assists the administrator in creating a monthly interest claim report to submit to AAFC. The administrator must enter information related to the month of reporting, and, in turn, cumulative data for the year to-date will be output. The outstanding balance appearing on the statement of account from the lender should match

the amount of outstanding advances reported in the APP Electronic Delivery System at the time of the report. A reconciliation section will have to be completed by the administrator to show they balance or to explain any discrepancies. Items such as interest not yet reimbursed by AAFC, service charges, NSF cheques, etc., are included in the reconciliation to assist the administrator to balance the system totals to the lender's statement. Once the administrator has completed the monthly interest claim report on-line, the report will be submitted to AAFC to be validated.

Bank statements must be sent to AAFC either by regular mail or by fax, as they are required for validation by AAFC prior to processing the payment.

Interest claims will not be paid until the statement of account from the lender and the administrator's claim have been received by AAFC, and they are reconciled. A cheque for payment of interest claims will be forwarded by AAFC to the lender within 30 business days following the receipt of the required documentation.

The interest on the portion of advances greater than \$100,000 must be paid by the administrator directly to the lender and recovered from the producer.

The Department will reimburse interest costs within 30 days where the claim has been submitted on-line, accurately reconciled to the bank statement and the bank statement has been provided to AAFC.

Bank Reconciliations

It is the administrator's responsibility to reconcile the lender's interest claim for the monthly interest charges to the actual advances and repayments for the month. This reconciliation is mandatory and must consist of a detailed financial summary that balances to the Monthly Interest Claim Statement and the lender's bank statement, if applicable.

If the calculations do not match the lender's calculations (e.g., charges have been made against the account for which there appears no justification, or deposits have not been credited to the account), it is the administrator's responsibility to deal with the bank directly to rectify these problems.

The administrator should amend the disbursement and/or receipts journal for any inconsistencies uncovered through the bank reconciliation process.

11.6 Monthly Outstanding Advances

A monthly report stating the outstanding balance of advances issued, both up to \$100,000, and greater than \$100,000, must be sent to AAFC within 15 business days of month's end. In order to limit the number of statements the administrators must provide, this statement is included on the claim for interest.

12. Defaults

12.1 *Stay of Default*

As per Section 21 (2) of the Act, if a default is impending the Minister may, at the request of the administrator, order the default stayed for a specified period on any terms the Minister may establish. The main benefit of a stay of default is to provide those producers facing difficult situations beyond their control with additional time to repay their advances. A stay of default, which can only be granted by the Minister prior to the end of the production period, is only used in situations where there are no market opportunities for producers to sell their commodities and reimburse their advance and/or when producers face extremely difficult financial situations. The administrator must contact AAFC officials early before the end of the production period to discuss if such an action is warranted.

12.2 *Pre-Default*

At the first indication that repayment from a producer may be delayed, the administrator should establish the producer's ability to repay. A letter explaining the consequences of defaulting under the program should be sent to the producer; see Appendix 8: First Letter Prior to Default for a sample. If the likelihood of repayment is questionable and the agricultural product has not been sold, the administrator shall register the lien pursuant to the personal provincial security legislation for registering liens on personal property if they have not already done so. As each province has its own legislation for that matter, the administrator will have to contact provincial authorities to determine the steps to be taken.

12.3 *Defining a Default*

The administrator shall declare a producer in default and immediately inform the producer of the same, if:

- any of the producer's obligations under the producer's agreement with the administrator have not been discharged within 20 business days after the day on which the administrator mails or delivers a notice to the producer. This notice must state that, in the opinion of the administrator, the producer has had adequate opportunity to discharge that obligation and requests that the producer do so;
- any of the producer's obligations under the terms of the Repayment Agreement have not been discharged at the end of the production period during which the advance was made;
- any of the producer's obligations under the repayment agreement have not been discharged on the day on which the producer files an assignment under the *Bankruptcy and Insolvency Act*, or a receiving order under that Act is made against the producer; or

- the producer breaches, at any time, any of the producer's obligations under the agreement.

12.4 Default Rate of Interest

The provisions of the APP allow an administrator to charge a higher rate of interest on the balance of a defaulted account. The intent of these provisions is to further discourage producers from going into default. If the rate of interest charged on default is prime minus one-quarter, there exists little incentive to repay the advance before the end of production period. If the administrator chooses to have a higher rate of interest for defaults, that rate must be specified in the terms of the Repayment Agreement. As the intent is not for administrators to make money on the default interest, a higher rate should be limited in view of what rate is available to the producer by going to a lender directly.

It should be noted that the Minister's guarantee applies to the rate of interest charged by the lender on the advanced amounts, and not the default interest rate charged by the administrator to the producer. As an example, an administrator may charge a producer in default prime plus 2%, but if a claim is submitted on the guarantee, AAFC will pay the rate charged by the lender, which cannot exceed prime minus one-quarter of one percentage point.

12.5 Notice of Default and Monthly Default Reporting

Notice of Default

Within 45 business days of the end of the production period, the administrator must complete and submit the End of Production Period Report to AAFC, either through the bulk load data transfer method of reporting or by on-line submission, starting at the end of the APP production period. This report will notify the AAFC of any outstanding advances at the end of the crop year. In the APP Electronic Delivery System, administrators will need to select the appropriate agreement in the "End of the Production Period Summary" section of the database. When created, the end of production period report will automatically list any producers with an outstanding balance as per the system information. If a producer has a cheque in transit at the end of the production period, a late repayment can be submitted to remove this producer from the report. If a producer is in default, the amount of the production period interest owed to AAFC will need to be entered. The administrator will have to validate the information in the system before submitting the report to AAFC. This report notifies the AAFC of the number of producers in default, as well as the amounts outstanding and due to AAFC.

The time frame for submitting an end of the production period report is 45 days to allow bank statements to be included in the submission. Please ensure bank statements are forwarded to AAFC by fax or mail at the time this report is completed and submitted to AAFC.

The administrator must also document all of the following actions, as they will be required should a request to honour the guarantee be made:

- collection efforts
- calls to producers and lawyers
- copies of letters sent to producers
- details of any other action taken
- farm visits and the status of the agricultural product.

Monthly Default Reporting

When an administrator has defaults for which AAFC has not yet honoured the guarantee, the administrator must complete a monthly default report and submit it electronically to AAFC on a monthly basis until such time as all defaulted amounts have been repaid or the guarantee on these amounts have been honoured. The status of each defaulted producer is reported by production period, repayments, if any, and other required information. This monthly report must be received by AAFC within 15 business days of each month's end, and must be submitted with a copy of the bank statement for the appropriate production period. One final monthly default report will be required to show a null balance once all defaults have been repaid or have been honoured.

12.6 Administrator's Liability

The administrator's liability is from 1% to 15% and is calculated based on the administrator's default history and success with settlement agreements on the default accounts.

The administrator's liability must be calculated and submitted every production period, along with the application, as it is required for the drafting of the AGA.

The administrator's liability may be waived for emergency advances issued in the case of severe economic hardship. This will be specified in the AGA.

12.6.1 Calculation of Administrator's Liability

The administrator's liability percentage will be the average default rate for the previous two completed production periods, as determined by a date specified in the AGA (not exceeding nine months following the end of the advance period), minus credit for settlement agreements, divided by the total dollar value of all advances issued in the same advance periods.

For the purpose of calculating the administrator's liability, a percentage of the outstanding settlement agreements that are still compliant will be credited. The calculation is as follows:

$$\frac{(\text{Amount repaid under settlement agreements} + \text{Balance of compliant settlement agreements}) \times 100}{(\text{Total value of settlement agreements entered into})}$$

The Minister's liability percentage will be determined by subtracting the administrator's liability from 100.

Example:

For the 2008-2009 Production Period, the defaults and settlement agreements from the 2004-2005 and 2005-2006 APP production years are taken into consideration.

In cases where an administrator only had an agreement in place for the 2005-2006 APP production year, the data from that year alone will be used to calculate the liability.

If the administrator is new to the program and has no data from previous crop years, the administrator liability will be set at 1%.

The advance period of the administrator is from April 1, 2007 to September 30, 2008. The date stated in the 2004-2005 and the 2005-2006 APP production year agreements for establishing the defaults and repayments was June 30, or nine months after the end of the production period in question.

Total amount advanced by the administrator:

- \$400,000 [A] in 2004-2005
- \$500,000 [A] in 2005-2006

From the 2004-2005 production year, the administrator had on June 30, 2006:

- \$20,000 [B] of total outstanding principal in default; and
- \$5,000 [C] entered into settlement agreements divided the following way:
 - \$1,000 [D] currently repaid under the settlement agreements,
 - \$2,000 [E] is the current outstanding balance that is still compliant under the settlement agreements, and
 - \$2,000 is the current outstanding balance that is non-compliant under the settlement agreements.

From the 2005-2006 production year, the administrator had on June 30, 2007:

- \$12,000 [B] of total outstanding principal in default; and
- \$10,000 [C] entered into settlement agreements divided the following way:
 - \$2,000 [D] currently repaid under the default repayment agreements,
 - \$5,000 [E] is the current outstanding balance still compliant under the settlement agreements, and
 - \$3,000 is the current outstanding balance that is non-compliant under the settlement agreements.

12.6.1.1 Credit Calculation

Before making the liability calculation, the credit calculation must be completed as follows:

Credit Formula, Part 1

$$\frac{(\text{Amount repaid under settlement agreements [D]} + \text{Balance of compliant settlement agreements [E]})}{(\text{Total amount entered into settlement agreements [C]})} \times 100$$

$$\frac{(\$1,000 + \$2,000 [D] + \$2,000 + \$5,000 [E])}{(\$5,000 + \$10,000 [C])} \times 100 =$$

66.66% (F) = Percentage of compliant settlement agreements credited

Credit Formula, Part 2

Percentage obtained in Part 1 [F] x Balance of compliant settlement agreements [E] =

$$66.66\% \times (\$2,000 + \$5,000 [E]) =$$

\$4,666.00 (G) = Amount deducted from outstanding default

12.6.1.2 Liability Calculation

The administrator's liability is calculated using the following formula:

$$\frac{(\text{2004-2005} + \text{2005-2006 default balances [B]}) - (\text{amount from credit calculation [G]})}{(\text{2004-2005} + \text{2005-2006 total advances [A]})} =$$

$$\frac{(\$20,000 + \$12,000 [B]) - (\$4,666 [G])}{(\$400,000 + \$500,000 [A])} =$$

0.030 or 3.0% = Administrator's liability for the 2007-2008 production period.

12.6.1.3 Additional Information on the Transition to the New APP

New administrators starting in the 2007-2008 production period or later will have a liability of 1% until such time as historical data can be used to recalculate their liability.

Production Period	April 1 2008 – Sept 30 2009	April 1 2009 – Sept 30 2010	April 1 2010 – Sept 30 2011
Ability to calculate administrator's liability	1%	1 %	Apr 2007-Sept 2008

For administrators with an established liability prior to the start of the new program:

Production Period	April 1 2008 – Sept 30 2009	April 1 2009 – Sept 30 2010	April 1 2010 – Sept 30 2011
Ability to calculate administrator's liability	Crop year 2004- 2005 Apr 2005-Sept 2006	Apr 2005-Sept 2006 Apr 2006-Sept 2007	Apr 2006-Sept 2007 Apr 2007-Sept 2008

12.6.2 Payment of Administrator's Liability

Each administrator must reimburse its liability (principal and interest) within 15 business days following the day on which the administrator learns of the default. The repayment of expenditure form must accompany the administrator's liability payment on the interest.

Principal

- The administrator must deposit an amount equal to its liability percentage, as outlined in the agreement, of the outstanding defaulted principal amount in the default loan account (see Section 11 – Banking Arrangements).
- The default bank statement must be forwarded to AAFC to show proof the deposit was made.

Interest

- As AAFC has already paid the interest on the first \$100,000 of each advance, the administrator must pay its liability portion of the interest to the Receiver General for Canada and forward the cheque to the AAFC program manager. This cheque must be forwarded with the End of Production Period Report. A breakdown by producer of the amount attributable to their default and the date paid must be submitted as well.
- For the portion of the advance greater than \$100,000, the administrator's portion of the liability for the interest incurred on the advance must be forwarded to the lender for deposit into the default account (see Section 11.1 – Banking Accounts), if the interest has not been paid on an on-going basis.

Other Liability

The administrator is also liable to pay to the Minister for any additional interest resulting from:

- failure to reimburse the loan on the next business day following the day on which the administrator receives payment, in whole or in part, of those advances; or
- failure to reimburse its liability within 15 business days following the day of learning of a producer defaulting.

12.6.3 Holdbacks

The administrator can apply a holdback percentage not exceeding the administrator's liability percentage. The administrator must set aside the holdback money in a separate trust account. In case of default, the producer holdback must be applied to the outstanding principal to cover the administrator liability. If there is no default, the holdback and all accrued interest must be applied to repay the advance or reimbursed to the producer.

12.7 Producer's Liability

Once in default, the producer becomes liable to the administrator for:

- a) the amount of the advance outstanding;
- b) the interest on the outstanding advance from the date of the original advance at the default rate of interest; and
- c) costs incurred by the administrator to recover the amounts mentioned in a) and b).

As a result of the interest being charged back to the date of the advance, those producers declared in default lose the interest-free benefit of the program.

The producer remains in a default position until all debts under the APP and/or previous participation in ESCAP, SCAP or APP are paid in full, pursuant to Subparagraph 21(3) of the Act.

The producer should be made aware that agricultural product failure, spoilage, shrinkage or the bankruptcy of a buyer does not release the producer from any obligation to repay the advance.

12.8 Ineligibility Period

Section 21(4) of the AMPA states that the AGA may provide that a producer continues to be ineligible for an advance for a specified period, even after the producer ceases to be in default. When making its application, an administrator should indicate if the imposition of an ineligibility period different from the prescribed standard is preferred, and if so, the length of the period.

For purposes of the APP, AAFC imposes a standard ineligibility period for all administrators once a producer has gone into default twice, regardless of which administrator the default was with. That producer will be ineligible to receive an advance under the program for a period of 12 months from the day on which the producer ceases to be in default.

12.9 Settlement Agreement with the Administrator

In all default cases, the administrator should attempt to get the producer to acknowledge the debt (see Appendix 12: Acknowledgement of Debt) and to sign a settlement agreement (Appendix 13: Settlement Agreement between Defaulted Producer and Administrator).

The administrator must enter into a settlement agreement with a defaulted producer. Such a valid agreement must provide for the payment in full (both principal and interest) of the defaulted advance within a specified time frame and must be sent electronically to AAFC. The maximum period of repayment under a settlement agreement is three years. If an administrator wishes to enter into an agreement for a longer period (up to five years), such an agreement must first be approved by AAFC. The administrator may not enter into any agreement that is not consistent with the terms and conditions of the AGA.

AAFC reserves the right to recall any outstanding defaults if it is apparent that there is no reasonable expectation of recovering monies owed.

When calculating the administrator's liability, a reduction in the liability is given where an administrator has established a valid settlement agreement with a defaulted producer. Consequently, it is in the administrator's best interest to establish settlement agreements with the defaulted producers. However, should the producer default on the settlement agreement the default would be considered in the liability calculation in future years.

The settlement agreement should include:

- the date of the original agreement between the producer and the administrator;
- the production period and the agricultural product covered;
- the original advance amount and the outstanding balance due;
- acknowledgement of the debt by the producer;
- agreement to default judgement under provincial legislation, where applicable;
- confirmation that payments of post-production period interest on the bank loan will be paid by the producer in default on a monthly basis;
- an outline of the method of repayment, whether by monthly payments or deductions from the sale of agricultural products in the new production period, until principal, interest and costs are fully repaid;
- additional security obtained for the value of the outstanding amount, especially for larger defaults, which can be released upon payment in full;

- confirmation that costs for collection attempts, legal and otherwise, will be charged to the producer in default;
- the number of instalments to be made; and
- the amount of repayment at each instalment.

12.10 Payments Received from Producers in Default

Once in default, payments received by administrators on behalf of defaulted producers will be applied in the following manner:

- all funds will be applied first to reduce all outstanding interest with the lender on the advance;
- any additional funds will be used to reimburse the outstanding principal of the advance; and
- interest from the date of default back to the date of issuance (production period interest) and all collection costs, including legal costs, will be the last to be retired.

12.11 Administrator's Collection Activity

If the producer fails to cooperate with the administrator and does not want to sign a settlement agreement, the administrator must take the following collection action on a default before making an application for the Minister to honour the guarantee under the program:

- send four letters to the producer requesting payment, with one direct contact by phone or personal visit prior to the final letter to discuss the situation and attempt to negotiate a repayment. Please refer to Appendix 8: First Letter Prior to Default; Appendix 9: Second Letter – Upon Default; Appendix 10: Third Letter – Upon Default; and Appendix 11: Fourth Letter – Upon Default. This series of four letters contains sample wording, starting with a letter that should be sent at least two months prior to the end of the production period. It is suggested that the second, third and fourth letters be sent registered mail, with copies sent to all partners, shareholders and members;
- in the case of a bankrupt producer, the administrator must file notice with the receiver that the administrator and AAFC (with AAFC referred to as Her Majesty the Queen in Right of Canada) are creditors, and immediately transfer the producers file to AAFC to honour the guarantee;
- in the case of an estate, the administrator must file notice with the executor of the estate that the administrator has an interest;

- where the administrator believes an offence has been committed under the AMPA, the appropriate judicial authority must be requested to take the necessary action in view of the offence, and all necessary information must be provided to that authority; and
- an administrator may wish to take on further collection actions in order to recover delinquent accounts and thereby reduce its liability in future years. This action could range from hiring a collection agency to obtaining judgement and a writ of execution. The costs of such action must be charged back to the defaulted producer.

The administrator may consider obtaining judgement which involves a suit against the producer. In all cases, the administrator and AAFC should be listed as joint plaintiffs, with AAFC referred to as Her Majesty the Queen in Right of Canada.

Legal action should only be initiated when:

- the financial statements show assets but the producer is experiencing cash flow problems;
- the producer is likely to repay the advance but not until sometime in the future; or
- the producer is solvent but does not agree to the repayment terms.

Before taking any action with respect to a defaulting producer, it should first be determined whether or not the producer is insolvent. A producer may be considered insolvent if liabilities exceed assets and the producer will not be able to meet financial obligations in the near future.

Should an administrator decide to take legal action against a producer to recover a debt, only those legal expenses incurred by administrators in collection attempts of advances are eligible for payment by AAFC and eventual charging back to the producer. The acceptable hourly rate is \$100 unless, in the opinion of the Minister, circumstances justify a higher rate. Approval of a higher rate must be obtained, in writing, from the Minister, at the time circumstances justifying a higher rate become known, as per the provisions of Section 22 of the AMPA.

12.12 Farm Debt Mediation Service

The Farm Debt Mediation Service (FDMS) provides insolvent producers and their creditors with mediation services pursuant to the federal Farm Debt Mediation Act (FDMA) and Regulations to help them arrive at a mutually satisfactory arrangement. The service is a private, confidential and economical alternative to the often costly, public and drawn-out process of resolving insolvency disputes in the courts. Where this is not successful, the parties still have recourse to the courts. For more information on this service, visit <http://www.agr.gc.ca/fdms> or call 1-866-452-5556.

12.13 Compromise Settlements

During a meeting of the creditors, the producer may propose a compromise settlement. The administrator must receive approval from the AAFC program manager prior to accepting a compromise settlement anytime payment in full will not be received. AAFC's policy on accepting compromise settlements is based on equal treatment compared to other creditors. If an administrator does not request such approval through the program manager, they could be held liable for the difference between the settlement offer and the full amount of the debt.

Process to accept a compromise settlement:

If a compromise settlement is being offered and the administrator determines AAFC has been treated fairly with regards to other creditors, the administrator must submit all the following documentation to program officials for review:

- the producer's financial statements for the previous two years;
- the producer's Income Tax returns for the previous two years;
- a current listing of aged (i.e., 0-30, 30-60, 60-90 and over 90 days) accounts receivable;
- a current listing of aged (i.e., 0-30, 30-60, 60-90 and over 90 days) accounts payable;
- a current credit report;
- name and address of the financial institution providing financial services to the producer;
- any financial restructuring agreements with other creditors, including mediation reports;
- a net worth statement of each individual in the operation;
- proof of bankruptcy, divorce, receivership, etc.;
- a statement from the debtor listing any PI, AgriStability or other BRM program payments;
- a list of assets and liabilities;
- a settlement agreement; and
- expected repayment terms, including a deadline for repayment.

When the settlement is submitted to AAFC, program officials will analyze the compromise settlement; if it is accepted, AAFC will respond with a letter of approval which will include a reasonable deadline for repayment.

Once the administrator has received a letter of approval from AAFC, the settlement offer with the deadline for repayment may either be accepted, or, if the administrator decides it is not acceptable, the offer may be rejected without AAFC's approval.

When payment has been received from the compromise settlement, a claim to AAFC should be sent in order that the remaining portion of the advance is honoured by AAFC's guarantee.

If the administrator does not receive payment by the deadline given in the approval letter from AAFC, the balance remains payable in full. Legal action may commence at this time if necessary.

13. Honouring the Guarantee

13.1 Claim for Transfer of Debt

Once the administrator has complied with the collection attempts outlined in Section 12.11 – Administrator’s Collection Activity, a letter requesting the Minister to honour the guarantee under the APP may be submitted to AAFC along with the following:

- an updated default report;
- an updated statement of account outlining the producer’s outstanding balance;
- a copy of the producer’s file (completed as per Section 10.2 – Producer’s File); and
- an updated financial history and collection activity report from the collection agency (if applicable).

If the administrator has not made a request for payment within 10 months of the end of the production period, the lender may make a request for payment directly to the Minister for the principal and interest outstanding.

13.2 Applicable Conditions

AAFC will consider honouring its guarantee after it receives the defaulted producer’s completed file (as specified under Section 10.2 – Producer’s File) from the administrator together with the request for the transfer of debt. How complete the documentation is will determine how quickly the guarantee is honoured.

Before honouring its guarantee, AAFC will determine if:

- the administrator has met its requirements specified in the AGA with AAFC and these guidelines; and
- the administrator has completed, at a minimum, the collection action outlined in Section 12.11 – Administrator’s Collection Activity.

13.3 Payment of Principal and Interest

To honour the guarantee, AAFC sends the amount for which the Minister is liable under the AGA directly to the lender or to the administrator, as specified in the agreement. In most cases, the amount will be directed to the lender, unless the administrator has requested otherwise, at the time the agreement was entered into.

The administrator will receive notice from AAFC that payment of principal is being processed. Once the cheque is deposited against the defaulted producer's account, the administrator must prepare an invoice (reconciled with the lender) for interest reimbursement. The interest invoice must include the interest incurred up to the date that the principal cheque is deposited in the account, and a statement showing the interest which AAFC paid on the outstanding balance during the production period.

13.4 Collection of the Debt by Agriculture and Agri-Food Canada

Once the claim to honour a guarantee has been approved by AAFC, program officials will forward the producer's file to AAFC's Corporate Management Branch, which will undertake any collection action required to collect the debt owing.

AAFC will attempt to collect the outstanding amount through such means as the use of collection agencies; recovery from payments owed to the producer from other governmental programs such as AgriStability, PI and any other BRM program; and any other methods deemed appropriate.

As noted previously, the defaulted producer will be charged interest by AAFC at the default rate of interest set out in the terms of the Repayment Agreement.

When possible, the administrator should assist AAFC in the collection of the amount outstanding after AAFC honours the guarantee. Any amounts collected or received by the administrators on behalf of defaulted producers should be made payable to the Receiver General for Canada and forwarded to AAFC within five business days of receipt.

14. Stacking of Assistance from Other Departments

As of June 1, 2000, program policies require producer organizations to declare any grants and contributions from any level of government that might overlap in funding the same purpose.

Consequently, if another level of government provides provisions for paying the interest-free benefit for APP advances the producer organization must advise program officials, who will then evaluate the situation and recalculate the benefits to be paid by AAFC. This will ensure both parties are not overlapping in paying the interest under the APP.

Any amounts paid to the lender and/or administrator in excess of the amount provided for the purpose of the APP shall be repaid by the lender and/or administrator. AAFC may decide to deduct any debts from subsequent payments made under the program.

15. Electronic Reporting Requirements for Administrators

All administrators are required to report specific information on the delivery of the APP to AAFC through the APP Electronic Delivery System. Administrators should submit the outlined reports through one of the following methods of submission:

- bulk-load data transfer. The administrator will automatically send information to AAFC directly from their own database. Once received, the AAFC database will upload, interpret and transfer the information to the appropriate areas; or
- on-line submission. AAFC will make available to all administrators a secure website where all reporting will be logged. The administrator will log-on to this website, complete the necessary form and electronically submit it to AAFC. By allowing the administrator to select from the drop-down list of producers, the level of data input will be reduced.

Further explanations on system requirements are available in a separate training manual.

The following is a list of reports that must be sent to AAFC as necessary. Administrators failing to submit these reports will be considered in breach of the terms of their agreement and may jeopardize their designation as administrator in the current and subsequent production periods.

15.1 Application Form

A pre-printed application form is available for all administrators. Failure to provide information in all fields of the application may delay evaluation of the application. Along with this application, a paper copy or calculation spreadsheet provided by AAFC of the administrator's liability calculation must be submitted every production period either by mail, facsimile or e-mail.

When applying to the APP, administrators must be capable of properly administering the program as outlined in these guidelines and the Act. For complete details of the responsibilities of an administrator, please consult Section 3.4 – Administrator's Obligations.

Through the APP Electronic Delivery System, fields of the on-line application form will automatically be pre-populated with information provided in the previous production period, if applicable.

15.2 Declaration of Producer Advances

After making an advance to a producer, the administrator must forward a declaration report to AAFC, either daily, weekly, bi-weekly or monthly, depending on the frequency and number of advances issued. At the end of this report, the administrator makes the

statement that all of the producer advances listed were made in accordance with the agreement and the Act.

The report must indicate the following:

- the APP # and full name of each producer;
- the APP # and the legal business name, where the producer is a partnership, corporation or association of persons;
- the interest-free amount advanced to each producer;
- the interest-bearing amount advanced to each producer;
- the type of agricultural product;
- the date of the advance;
- the production period; and
- the type of security used to secure the advance for every producer, and the producer's BRM program identification number.

AAFC will not pay interest on any amounts in excess of that for which declarations have been received.

15.3 Declaration of Producer Repayments

Throughout the production period, the administrator will receive repayments of advances from producers as agricultural products are sold. The administrator must forward a declaration report and a declaration of producer repayments, either daily, weekly, bi-weekly or monthly, depending on the frequency and number of repayments received. At the end of the declaration report the administrator makes the statement that all of the producer repayments listed were made in accordance with the agreement and Act.

The declaration list must include the following:

- the APP # and full name of each producer;
- the APP # and the legal business name, where the producer is a partnership, cooperative, corporation or association of persons;
- the amount repaid by each producer (the interest-free portion of the advance being repaid first);
- the date of the repayment;
- the type of agricultural product the repayment was made against;
- the production period; and
- the repayment type.

15.4 Monthly Interest Claim

Administrators must submit on a monthly basis a claim for interest reimbursement which must be received by AAFC no later than 15 business days following the end of the month. The administrator must submit separately, by fax or mail, the corresponding bank

statement for that month reconciled to the interest claim. The administrator will be required to report the following:

- the month and production period;
- total advanced interest-free that month;
- the interest-free amount advanced to each producer;
- the interest-bearing amount advanced to each producer;
- total repayments received on the interest-bearing portion that month;
- the outstanding balance on the interest-free portion that month;
- the outstanding balance on the interest-bearing portion that month;
- the total outstanding of all advances that month;
- the monthly interest charges on the interest-free account; and
- the monthly interest charges on the interest-bearing account.

If the lender's bank statement does not balance with the administrator's interest claim, the administrator must provide additional information to reconcile the two statements. Such information might include the total NSF charges; the total bank errors; and the total service charges.

On the interest claim, the administrator must report the amount of advances processed by the bank, not necessarily the amount of advances reported on the administrator's books. Similarly, only those producer repayments that have been processed by the bank must be listed on the interest claim. This is a method of cash accounting that enables the administrator to more accurately balance the lender's bank statement to the monthly interest claim.

15.5 Cash Repayments

Administrators accepting cash repayments from producers (see Section 6.9.3 – Cash Repayments) must report these repayments to AAFC by the following procedures when using the APP Electronic Delivery System:

- a) Administrators must submit a Declaration of Producer Repayments (see Section 15.3 – Declaration of Producer Repayments) for the amount of the repayment submitted, and choose “Cash Repayment With Penalty” or “Cash Repayment Without Penalty,” depending on the type, in the drop-down menu beside “Repayment Type”; and
- b) Administrators must select “Update Cash Repayment Summary” in the left-hand menu on the screen, under “Administrator.” On the next screen, information on penalty amounts applicable to each producer must be updated, followed by clicking on “Update Page Results”. If a producer provides a proof of sale for a previous cash repayment, the “Proof of Sale” checkbox for that producer must be clicked, in which case the penalty amount can be changed to “0” since the repayment no longer qualifies as a cash repayment under the APP.

If no proof of sale is provided by the producer within 15 business days following the end of the production period, the administrator must collect the interest penalty from each producer for that portion of the cash repayment exceeding the limits outlined in Section 6.9.3. The administrator then forwards the interest collected to AAFC, accompanied with a Repayment of Expenditures Report (Appendix 7; see Section 15.10 – Repayment of Expenditures Report) providing the names of the producers and the amount of interest forwarded to AAFC for each. This information will be tracked by AAFC internally for each cheque received from an administrator.

15.6 Non-Compliance Report

A preliminary step before reporting producers in default at the end of the production period, the non-compliance report will track any producers in breach of the terms of the repayment agreement during the production period but not yet reported as being in default. In an administrator's view, the producer can be in default as of the day the terms are breached, although officially, this would not be reported until the end of the production period on the default report.

This report must be submitted within 10 business days following the day on which the administrator learns of the breach. The report must include:

- the producer's name and APP #;
- the agricultural product for which the advance became non-compliant; and
- the reason for non-compliance.

Once the administrator has submitted the report, AAFC will internally freeze that producer's account, so that any future advances issued to that producer will not be accepted, and consequently, the appropriate administrator will be advised.

15.7 End of Production Period Report

The end of production period report must be submitted by each administrator at the end of the production period, regardless of default or not. This report is to be submitted no later than 45 business days following the end of the production period; if it is not submitted, all future reports will be returned to the administrator and not processed by AAFC. The information reported on the form must be fully completed. If sections do not apply, N/A should be marked in the appropriate box.

The report will include information on repayments made after the end of the production period; default information at the end of the production period; and the administrator's liability. The administrator is to list all producers, with their APP #, declared in default at the end of the period. This report will transfer all appropriate producers into default status and will consequently reject any application by that producer for future advances, until the default has been repaid.

Along with the report, administrators must submit their portion of the production period interest liability calculated on all defaulted producers.

15.8 Monthly Default Report

As mentioned in Section 12.5 – Notice of Default and Monthly Default Reporting, the monthly default report must be submitted within 15 business days following the end of every month by all administrators with defaults for any production period of the previous production year. This report will list all producers in default and any repayments made against those defaults. The administrator must submit separately, by mail or fax, the lender's bank statement on the default account for that production period every month, as well as the post-production interest accruing on every defaulted producer's account, at both the default rate of interest charged by the administrator and the default rate of interest being charged to AAFC.

15.9 Default Settlement Agreement Report

The settlement agreement report (Appendix 13) outlines the details of all of the settlement agreements entered into with producers. All administrators should attempt to sign a settlement agreement with each producer in default in order to have the producer acknowledge the debt and to limit the administrator's liability calculation. This report must be submitted to AAFC within nine months of the end of the production period. All settlement agreements entered into must be less than three years. If an administrator and a producer require more time, the administrator must submit a request to AAFC on the settlement agreement report requesting a longer repayment term.

All settlement agreement reports must include the following:

- the producer's name and APP #;
- the amount in default;
- the repayment term (the period over which the default is repaid);
- the repayment amount (the amount paid in each instalment); and
- the repayment frequency (how often the repayment will be made, whether weekly, monthly, semi-annually, annually, etc.).

15.10 Repayment of Expenditures Report

The repayment of expenditures report (Appendix 7) must be submitted to AAFC by mail with every cheque remitted. This will enable AAFC to better track receivables and associate those payments to the appropriate area.

The report must include:

- the total amount of payment reported and submitted;
- the type of payment to be submitted;

- the producer's name and APP #;
- the type of payment for that producer;
- the production period to which the payment is associated; and
- the amount associated to each production period.

16. Electronic Version of the Appendices

All appendices are available in an electronic format; please contact your program officer to obtain a copy as well as to obtain a copy of the producer application form.

17. The Privacy Policy

The privacy policy of the Financial Guarantee Programs Division (FGPD) of AAFC, regarding the APP applies to producer organizations collecting personal information from applicants for the purposes of delivering the program. Information collected is used to assess producer eligibility and to monitor and ensure advances issued remain within program parameters as set out in the legislation. Compliance to the terms of the AGA with the producer organization and the appropriate program guidelines are also monitored.

This policy also applies to the producer information collected by AAFC for the APP and is based on nine key principles:

1. Consent to collect the information and identifying the purposes for collecting it

Program parameters of the APP are set out in the AMPA. In order to effectively administer and manage the APP within these parameters, personal information is collected from individual producers, and members of partnerships, cooperatives and/or corporations. Participating producers must make an application to the administrator and give consent to the use of the information being collected, which includes the following:

For individual producers (individual applicants):

- full legal name;
- date of birth;
- citizenship/residency information;
- full home address;
- telephone number;
- APP ID (#); and
- contract number and/or personal identification number, as applicable, will be collected to ensure the advance is properly secured under a BRM program.

For each member of a partnership, cooperative, corporation or association of persons (business applicants):

- full legal name;
- date of birth;
- citizenship/residency information;
- full legal home mailing address;
- telephone number;
- APP ID(#); and
- contract number and/or personal identification number, as applicable, will be collected to ensure the advance is properly secured under a BRM program.

The following commercial and corporate information will also be collected, where applicable, for individual producers, corporations, cooperatives, partnerships and other organizations:

- information on farming locations, livestock, crops and other approved agricultural products, expected yields, storage facilities, and sales information;
- credit and financial information, including financial reports and statements;
- articles of incorporation; and
- information pertaining to the applicant's lender.

2. Consent to use producer information

By making an application to the APP, the applicant consents that both the administrator and AAFC may use the information to consider program eligibility, and program entitlements for the APP. When an application is approved, consent also enables the administrator and AAFC to ensure advances are repaid in accordance with the Act, the regulations, the terms and conditions, as well as these guidelines, including providing the information to delegated officials for any required collection activity should the loan not be repaid.

3. Consent to disclose producer information

As a minimum, an applicant to the APP consents to the disclosure of the required personal and financial information to both the administrator and AAFC, for the purposes of determining program eligibility and program entitlements for the APP. Where the applicant uses another federally- or provincially-funded program as security against an advance, the personal and commercial information provided will be used to verify the security with the appropriate program officials. The information may also be used to verify security or credit-worthiness with financial institutions and credit evaluation companies.

Should either the administrator or AAFC desire to disclose personal or commercial confidential information for purposes not associated with the administration of the APP, prior written consent of the applicant will be obtained. Normally, this consent will have been obtained during the application process and be clearly outlined on the producer application form.

4. Retention of information

Both the administrator and AAFC will retain applicant information for at least three years after the date of repayment of the loan by the applicant. Files containing defaulted loans which require action by AAFC will be held by AAFC for a period of six years after repayment of the loan; the last financial transaction; or the last action taken to recover the loan, whichever occurs last. More information can be obtained by reviewing the APP description and information holdings described in the Personal Information Bank (PIB) PPU 140 in InfoSource at http://www.infosource.gc.ca/inst/agr/fed00_e.asp.

5. Safeguarding information

Steps have been taken to ensure the information collected is safe from unintended disclosure. These include:

- not disclosing information to other parties without prior written consent of the applicant or applicant's delegate;
- using secure channels and protocols appropriate to the level of data being transferred to AAFC;
- having administrators sign an Access and Privacy Agreement with AAFC, binding them to the same principles and standards as AAFC;
- allowing administrators to search only that on-line data referring to their own producers (i.e., no "phishing"); and
- having put in place procedures that allow the accuracy of the information on file to be verified and/or corrected (see below).

6. Accuracy of the information collected

Both the administrator and AAFC want to ensure the accuracy of the information on file. AAFC will make every reasonable effort to keep the applicant's information accurate and up-to-date. For that reason, every applicant will have access (see # 8, below) and be able to verify the personal information collected in their own records. If there are any changes or errors, the applicant must inform the administrator or AAFC for corrections to be made.

Correction to an applicant's personal record can be requested in writing to the organization where the application was made. The administrator will then advise AAFC of any such correction.

7. Openness of the use of the information collected

Both administrators and program officials of the FGPD agree to be open and forthcoming in providing applicants with the information held in their file. As a result, when an applicant calls to inquire about information contained in their file, the respondent will fully disclose this information, provided the applicant satisfies security requirements. Further details on how an applicant may access their information can be found below. The openness of this policy is designed to both facilitate access to one's information and to ensure that issues related to information accuracy are easily discovered and corrected.

8. Individual access to information

All applicants can request access to the information they supplied to the APP and should request this information from their administrator. This administrator is required to collect all producer information necessary for an advance to be issued, but then transfers only a portion of that data to AAFC. The administrator has agreed with AAFC to be transparent and forthcoming with information contained in its files. All information transmitted to AAFC comes directly from the administrator; therefore, if there is an issue regarding information contained in an applicant file, the administrator should be the first point of contact.

Both the administrator and program officials of the FGPD will require applicants to provide identifying information before responding to any questions concerning information held on file. These questions are designed to ensure the information is released only to those entitled to receive it. If a person is inquiring on behalf of another, written consent from the applicant is required and its authenticity will be verified before any information is released. This confirmation may take time, depending on the availability of the applicant.

Should there be a question in reference to producer information or data that was transferred to AAFC, the applicant or individual enquiring on an applicant's behalf should contact AAFC. The administrator can provide the applicant with the appropriate FGPD contact responsible for their region, or they can call AAFC's toll-free line at 1-888-346-2511. Those contacting AAFC via the toll-free line will need to provide the program name and the province where the applicant resides in order that the call may be assigned to the appropriate official.

Most information queries that applicants have can be handled in an informal manner over the phone. However, should an applicant wish to review the information in their file, they can arrange to view the file with the administrator where they made the application, or request a copy of the file. If an applicant requests a copy of the information held in their file, it will be sent to them within two weeks for a single production period and within 30 days for multiple production periods, not to exceed five. Any request for information beyond five production periods will require a formal discussion between the administrator and FGPD, and the need to submit a formal request will be evaluated (see below).

If the applicant is not satisfied with the information received, or wishes to make a formal request for the information, they may do so using any of the following legislated processes:

Applicants wishing to make a formal request for information from the administrator may do so pursuant to the *Personal Information Protection and Electronic Documents Act*. This federal legislation ensures the privacy of, and a right of access to, personal information in the private sector. Applicants may send their request in writing, specifying what information they would like, to their administrator.

The *Privacy Act* provides individuals with the right to access their personal information held by the Government of Canada and, if necessary, to make any corrections to that information. Requests for access or corrections are to be made in writing and sent to the Access to Information and Privacy Coordinator at:

Agriculture and Agri-Food Canada
 Access to Information and Privacy Coordinator
 930 Carling Avenue, Room 282
 Ottawa, Ontario
 K1A 0C5
 Tel: (613) 759-6766
 Fax: (613) 759-6547

Applicants not satisfied with the response to their privacy concern may wish to contact:

Privacy Commissioner of Canada
 3rd Floor, Place de Ville
 112 Kent Street, Tower "B"
 Ottawa, Ontario,
 K1A 1H3
 Tel: 1-800-282-1376
<http://www.privcom.gc.ca>

Under the *Access to Information Act*, corporations and partnerships may also request access to any records under the control of the AAFC by applying to the Access to Information and Privacy Coordinator for AAFC at the address noted above. Those not satisfied with the response to their request may wish to contact:

The Information Commissioner of Canada
 Place de Ville, Tower B
 112 Kent Street, 22nd Floor
 Ottawa, Ontario
 K1A 1H3
 (613) 995-2410 (National Capital Region)
 1-800-267-0441 (toll-free)

9. The right to correct information on file by the individuals

As previously mentioned, both the administrator and the FGPD want to ensure the accuracy of all information on file. If, after reviewing their file, an applicant or their representative wishes to make a correction to the information contained therein, they must submit a written request by mail to the administrator. After reviewing the request for correction, the administrator will advise the applicant if the correction is accepted or not, and advise the FGPD of any necessary corrections to the data transferred.

The steps mentioned above for making corrections to files are suggestions only, and should address the vast majority of required corrections. They are in no way intended to prevent an applicant from following the more formal processes available under the provisions of the appropriate legislation noted above.

GLOSSARY

AAFC: Agriculture and Agri-Food Canada

Advance Guarantee Agreement (AGA): This agreement, between the Minister and an administrator (or between an administrator and a lender), guarantees the repayment of advances the administrator makes to eligible producers from money borrowed, together with any interest on the advances, and sets out the obligations of the administrator in relation to the advances and their repayment.

AgriStability: A security; formerly known as the CAIS (Canadian Agricultural Income Stabilization) Program.

AMPA: *Agricultural Marketing Programs Act*

APCA: *Advance Payments for Crops Act*

APP: Advance Payments Program

ASRA: (Programme) d'assurance stabilisation des revenus agricoles

BRM: Business Risk Management (Program)

CAIS: Canadian Agricultural Income Stabilization (Program), replaced by AgriStability

ESCAP: Enhanced Spring Credit Advance Program

Experienced administrators: Those administrators with two or more production periods of experience in the delivery of the APP. The default data of the last two completed agreements will be used for the liability calculations.

FGPD: Financial Guarantee Programs Division

FIMCLA: *Farm Improvement and Marketing Cooperatives Loans Act*

Guarantee Agreement: An APP agreement which offers eligible producers up to \$400,000 in advances to assist with their short-term financial obligations, with the federal government paying the interest on the first \$100,000.

Intermediate administrators: Those administrators with one full production period of APP administration completed. The default year data will be used to calculate their liability.

Lender: A financial institution, as defined in section 2 of the Bank Act, or any other legal entity that the Minister of Finance may designate for the purposes of this Act on the application of that entity.

Livestock: An agricultural product that is neither storable nor non-storable, livestock includes cattle, sheep, swine and bison and any other animals that may be designated by regulation.

New administrators: Those administrators new to the APP program who do not have any historical default data available on which their liability can be calculated. As this is the case, a 1% liability applies.

Non-Guarantee Agreement: An APP agreement in which the Minister agrees to pay the interest on behalf of producers, and does not guarantee the repayment of advanced amounts. Usually, the guarantee will be provided for in an existing provincial or other government program.

NISA: Net Income Stabilization Account

Non-storable agricultural products: Agricultural products that do not fall within the “storable agricultural products” definition are considered to be non-storable agricultural products.

Permanent resident: As defined under section 2(1) of the AMPA, permanent resident has the same meaning as in subsection 2(1) of the Immigration and Refugee Protection Act, which is a person who has acquired permanent resident status and has not subsequently lost that status under section 46.

PI: Production Insurance (Program)

PGAPA: *Prairie Grain Advance Payments Act*

PPP: Price Pool Program

PPSA: *Personal Property Security Act*

Producer: As defined under section 2(1) of the AMPA, this means any person or entity engaged in the production of an agricultural product who is a) a Canadian citizen or permanent resident; b) a corporation, a majority of whose voting shares are held by Canadian citizens or permanent residents; c) a cooperative, a majority of whose members are Canadian citizens or permanent residents; or d) a partnership or other association of persons where partners or members, who are Canadian citizens or permanent residents, are entitled to at least 50% of the profits of the partnership or association of persons engaged in the production of an agricultural product.

SCAP: Spring Credit Advance Program

SDRM: Self-Directed Risk Management (Program)

Storable agricultural products: Agricultural products that, once in their produced state, may be kept in good marketable conditions for substantial periods of time in inventory, without excessive storage or maintenance costs, until sold or otherwise disposed of during the production period for the purposes of the APP. Storable agricultural products are either in pre-production or in post-production.

Storable agricultural products in post-production: These storable agricultural products are already in inventory in their produced state, such as any crop after harvest and storage. They may be kept in good marketable conditions for substantial periods of time, without excessive storage or maintenance costs, until sold or otherwise disposed of.

Storable agricultural products in pre-production: These are storable agricultural products not yet kept in inventory in their produced state, such as any crop at seeding time.

LIST OF APPLICATION FORMS AND APPENDICES

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Application for Advance – Instructions to Administrators

- Part 1A: Application & Repayment Agreement – Individual Producer Information
- Part 1B: Application & Repayment Agreement – Corporation/Cooperative/Partnership Information
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- Part 2D1: Application & Repayment Agreement – Standard Operation (Livestock)
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- Part 2D3: Application & Repayment Agreement (Applies to Cattle and Hogs Only)
- Part 3A: Application & Repayment Agreement – Declaration & Attestation (Individual)
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