2012 Agri**Stability** Program

AgriStability Program Guidelines
Consolidated Version

Note: Consolidated Guidelines as of May 22, 2012. This consolidated version of the Guidelines reflects Amendments Numbers 1 and 2.

Amended selections are referenced by amending agreement number, in bold.

Minor modifications to the presentation of the original text of the AgriStability Program Guidelines have been made in preparing this consolidated version. This document is not a substitute for the original signed Agreement and Amending Agreements.

Where discrepancies exist between these guidelines and the text in The Federal/Provincial/Territorial Agreement with respect to AgriStability and AgriInvest, the text in The Federal/Provincial/Territorial Agreement with respect to AgriStability and AgriInvest shall be deemed to be correct.

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AGRISTABILITY

PROGRAM GUIDELINES

Guidelines amended as of May 22, 2012

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DEFINITIONS

Unless otherwise indicated, terms that are defined in the Agreement have the same meaning in these Guidelines.

Administration: Provincial or Federal body or agency that administers the Program for a specific province.

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

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

Arm's Length Salaries: Salaries paid to employees except those salaries paid to Related Persons.

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

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

CRA: Canada Revenue Agency.

Claimant: The party that is making a claim for reimbursement of eligible administrative costs, as defined in the Agreement.

Contribution Reference Margin: The Reference Margin used to calculate the participant contribution for a Program Year, as set out in clause 3.2.

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

Enrolment Notice: A notice sent by the Administration containing the Participant's contribution Reference Margin, as set out in clause 3.2, and producer contribution.

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

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

Federal Program Administration: The agency or body of the Government of Canada responsible for the administration of Program duties including, but not limited to, liaison with CRA.

Hybrid Inventory Adjustment: The adjustment set out in section 4.4.1 of these Guidelines.

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

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

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

National Program Committee: The national committee established under the Agreement.

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

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

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

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

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

Program: AgriStability as defined in the Agreement.

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

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

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

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

1. individuals connected by blood relationship, marriage or common-law partnership, or adoption;
2. a corporation and
    a. an individual, group of persons, or entity that controls the corporation;
    b. an inividual, group of person, or entity of a related group that controls the corporation;

c. any individual related to a person described in (a & b) above.

3. two or more corporations if:

   a. they are controlled by the same individual, group of persons, or entity;

   b. an individual or any member of a group of persons or entity that controls one corporation is related to the individual or any member of a group of persons or entity that controls the other corporation;

Sound Management Practices: are the same management practices that would be followed by any conscientious participant under the same circumstances.

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

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

Tier 1: Represents the range greater than 85% up to 100% of a participant's Reference Margin.

Tier 2: Represents the range greater than or equal to 70% and less than or equal to 85% of a participant's Reference Margin.

Tier 3: Represents the range greater than 0% and less than 70% of a participant's Reference Margin.

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

PART 1 - ELIGIBILITY

1.1 General Eligibility Requirements

An individual or entity is eligible to participate in the Program for a Program Year if, with respect to that Program Year, they have:

1. carried on the business of farming in Canada and reported farming income (or loss) for income tax purposes;

2. completed a minimum six consecutive months of farming activity;

3. completed a production cycle;

4. met all Program requirements by the deadlines established by the Administration; and,

5. met any other applicable provincial requirements as specified in these Guidelines.

The eligibility requirements of six consecutive months of farming activity and a completed production cycle in that Program Year may be waived if the Administration determines they could not be completed due to circumstances beyond a producer's control.

- Status Indians who carried on the business of farming on a reserve in Canada, and did not file returns for income tax purposes, are eligible to participate provided they submit information that would have otherwise been reported for tax purposes for that Program Year and reference years based on the requirements of the *Income Tax Act*, and meet all other Program requirements. For Program purposes, Status Indians will be deemed to have a December 31 fiscal year-end.

- Partners are eligible to participate in the Program as individuals. Each partner's share of the Production Margin of the partnership shall be attributed to that partner for the purpose of calculating that partner's AgriStability entitlements. A partnership is eligible to participate as an entity, provided the partners have reported farming income (or loss) for income tax purposes for the Program Year, and the partnership is recognized as:

  1. a legal entity under Article 2188 of the *Quebec Civil Code* and if so, the program will apply the same treatment to the partnership as a corporation with the appropriate adjustments; *or*
  2. a limited partnership

- Research stations, universities, colleges, and other government-funded institutions are not eligible for the Program.

- Former federal public office holders or servants who are not in compliance with federal conflict of interest guidelines in effect during the term of the Implementation Agreement are not eligible to receive payments under the Program.

- In the province of Quebec, in addition to meeting the specific requirements relating to account management and the prescribed forms for presenting financial data using the accrual accounting method, participants must also meet the following provincial requirements:

    - register farm businesses and market farm products in accordance with the Regulation respecting the registration of agricultural operations and the reimbursement of real estate taxes and compensations, enacted pursuant to An Act respecting the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation (L.R.Q., c. M-14), with the exception of participants affected by section 1.4 and not eligible for registration;

    - market concerned products in accordance with the regulations and conventions in effect, enacted pursuant to An Act respecting the marketing of agricultural, food and fish products (L.R.Q., c. M-35.1).

1.2 Deceased Participants

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

In the case of deceased participants, the filing of more than one income tax return may be involved. The Program Year Margin for deceased participants for the Program Year in which the death occurs will be based on their final return (start of Program Year to the date of death), plus any return filed from the date of death to the end of the Program Year. Any inventory, deferred income or accounts receivable, and accounts payable existing at the date of death (or at the end of the fiscal period if more than one return is filed) shall be accrued to the final return. If, in addition to the final return, an optional return for the year of death for a deceased participant is filed (such as a return of rights and things), this information must be submitted to the Administration. Where the death of a participant results in less than 12 months of income and expenses being reported in the Program Year, the Program Year will be treated as a stub period (see Section 4.6 of these Guidelines).

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

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

- a written request to close the account signed by the executor/executrix or administrator;

- a certified copy of the probated will or letters of administration/probate; and

- a certified copy of the death certificate.

1.3 Final Year of Farming

If participants are in their final year of farming and meet Program eligibility requirements, but report less than 12 months of income and expenses in the Program Year, the Program Year will be treated as a stub period (see Section 4.6 of these Guidelines).

1.4 Multi-Jurisdiction Farms

The province of participation for participants who live and farm in different provinces is the province of the main farmstead. Participants may not participate in the Program in more than one province. If there is farming income (or loss) reported for income tax purposes in more than one province, Program Forms must be sent to the province of the main farmstead. Reconciliation of billing between provinces may occur after the Program Year through the Government of Canada.

1.5 Ineligibility under CAIS Program

Participants who opted-out of the CAIS program, or were determined to be ineligible for the CAIS program for failure to meet a requirement of that program shall not, for that reason alone, be considered ineligible for AgriStability, so long as they would otherwise be eligible for AgriStability.

PART 2 – PROGRAM ACCOUNTS

2.1 Closing Program Accounts

The Administration shall close a participant's account on request, on the dissolution of the program, where the participant has become ineligible, or where the producer fails to confirm participation in the program for a program year under clause 3.3.

Where a participant's account is closed, the participant's remaining balance in Fund 1 shall be applied to the amount owing under clause 6.10 of the Agreement, and will not be returned to the participant.

Where a participant's account would be closed but the processing of a previous Program Year's program benefit is pending, the Administration may leave the account open until the processing of the previous Program Year is completed, or close the account and re-open it, if necessary, to make a payment in relation to a previous year.

2.2 Administrative Cost Share (ACS)

Participants shall pay an annual Administrative Cost Share (ACS) for each account. The amount of the ACS will be $55 per participant, or an amount established by the Administration whereby the average ACS per participant is equal to $55 per participant. ACS amounts owing by a participant may be collected off of any payments received for the Program Year or any subsequent Program years.

The Administration shall charge the ACS to a participant for a Program Year if the participant has confirmed participation for that program year under clause 3.3.

2.3 Interest

The Administration is not obligated to pay interest on any balance in Fund 1 or Fund 2. Any interest which the Administration chooses to pay to participants shall be deposited into the participant's Fund 2 account, and shall not be eligible for cost-sharing.

PART 3 – APPLICATION PROCESS

3.1 New Participants

Participants who did not participate in the program for the previous program year must follow the enrolment procedures established by the Administration by the deadline specified by the Administration. If such a participant does not follow the enrolment procedure by the deadline specified by the Administration, the participant shall not be eligible to participate in that Program Year. The Administration shall specify a new participants' deadline that can be expected to permit the Administration to issue Enrolment Notices to affected participants on time.

New participants must supply the information required by the Administration to determine their Contribution Reference Margin and issue an Enrolment Notice. If the new participant had previously participated in the program, the Administration may use the participant's previous information to calculate the Contribution Reference Margin and require the participant to supply any missing information only.

3.2 Enrolment Notice

The Administration shall issue an Enrolment Notice to:

- Participants who confirmed participation in the program for the previous Program Year, unless they have indicated that they do not wish to receive Enrolment Notices; and

- New participants who have followed the procedures required by the Administration under clause 3.1.

The Administration may also send an Enrolment Notice to a person who has previously participated in the program if the Administration has sufficient information to calculate the Contribution Reference Margin. Alternatively, the Administration may require the previous participant to indicate that they wish to receive an Enrolment Notice before issuing one.

The Enrolment Notice shall include the Administration's determination of the participant's Contribution Reference Margin.

The Contribution Reference Margin for a Program Year shall be the Reference Margin for the previous program year, calculated according to the first of the following procedures which applies:

- In cases where the participant has been provided with a calculation of benefits for the program year prior to the previous program year, the Reference Margin for the previous program year shall be calculated using the production margin indicated on that calculation of benefits for each relevant year, without further adjustment except for adjustments previously determined for the participant in relation to that calculation of benefits, and the removal of program payments from the production margin calculation.

- In cases where the participant has not been provided with a calculation of benefits for the program year prior to the previous program year, and the Administration has sufficient information to calculate the previous year's Reference Margin, the Administration shall calculate the Reference Margin for the previous program year using that information.

- In cases where the Administration does not have sufficient information to calculate the previous year's Reference Margin, the Administration shall require the participant to supply any information that it deems necessary to calculate the previous year's Reference Margin, by the deadline specified by the Administration. The Administration may permit a Participant to supply information relating to the three years immediately preceding the previous Program Year and calculate the Contribution Reference Margin using only those three years. Beginning with the 2012 program year if the Participant has not participated in the AgriStability Program for any of the years included in the previous year's Reference Margin, the Administration may calculate the Contribution Reference Margin using only the three years immediately preceding the previous Program Year by creating margins for those years based on the farm's productive capacity of the current Program Year. Participants who fail to meet the deadline specified by the Administration shall not be eligible to participate in that program year.

The Administration shall endeavour to issue Enrolment Notices no later than 3 months after the beginning of the program year, and shall establish the deadlines required in order to be able to do so.

For the 2007 Program Year, the Administration shall endeavour to issue Enrolment Notices no later than 11 months after the beginning of the program year.

With respect to participants with non-calendar year ends, the Administration shall endeavour to issue Enrolment Notices on a program year basis, but may issue Enrolment Notices as if the participant had a calendar year-end.

3.3 Confirmation of Participation

Each participant will confirm their participation in the program within 30 days of receiving an Enrolment Notice, or 4 months after the beginning of the program year, whichever is later. Participants who fail to confirm participation by this deadline shall not be eligible to participate for that program year.

The Administration may, in an Enrolment Notice, notify the recipient that the recipient will be considered to have confirmed participation unless the recipient indicates otherwise by the established deadline. A recipient who is so notified and does not respond by the established deadline shall be considered to have confirmed participation in the Program, and owing the associated Producer Contribution.

For the 2007 program year, participants will confirm their participation within 30 days of receiving an Enrolment Notice, or 12 months after the beginning of the program year, whichever is later.

3.4 Producer Contribution

3.4.1 Amount of Producer Contribution

The Producer Contribution for a Program Year shall be calculated using the Contribution Reference Margin calculated by the Administration, multiplied by 0.45 percent, multiplied by 85 percent.

3.4.2 Initial Deadline

The producer contribution shall be due within 30 days of receiving an Enrolment Notice, or 4 months after the beginning of the program year, whichever is later. If the producer contribution is not paid as of this initial deadline, the amount of the required producer contribution shall increase by 20 per cent.

3.4.3 Final Deadline

If the original amount of the producer contribution for a program year remains unpaid at the end of that program year, then the participant shall be ineligible for payments for that program year.

3.4.4 Non-calendar Year End

For participants with non-calendar year-ends, the Administration may extend the initial and final deadline for payment of the producer contributions to the date that would apply to participants with calendar year-ends.

3.4.5 Exception for the 2007 Program Year

For the 2007 program year, the Producer Contribution shall be due within 30 days of receiving an Enrolment Notice, or 12 months after the beginning of the program year, whichever is later. If the producer contribution is not paid as of this deadline, the amount of the required producer contribution shall increase by 20 per cent. If the original amount of the producer contribution remains unpaid on April 30, 2008, then the producer shall be ineligible for payments in respect of the 2007 Program Year.

3.4.6 Set-Off

Where a payment is triggered under the Agreement and a producer contribution is payable, the Administration may set-off the producer contribution against the payment.

3.5 Determining Program Benefits

The Administration shall establish the deadline for participants to submit completed Program Forms with all required documentation. The deadline shall be no earlier than 6 months after the end of the Program Year, and no later than 9 months after the end of the Program Year. The Administration may extend the deadline for participants with non-calendar year-ends, up to 9 months after the end of the calendar year.

Participants must submit completed Program Forms with all required documentation to the Administration. Forms and information may be considered not received by the deadline unless all of the required information and documentation has been provided. The Administration shall require on an annual basis, at a minimum:

1. the income and expense information submitted for income tax purposes (e.g. the Statement of Farming Activities), or other documentation showing income and expense information; and,

2. information detailing opening and ending information for inventories, accounts payables and accounts receivables, and prepaid expenses, if required to adjust information reported on a cash basis;

In addition, program payments shall be supported by any information detailing production and accrual information required by the Administration to calculate those payments.

If a participant provides the required documentation after the deadline, but within three months of the deadline, then the Administration shall reduce any amount payable to the participant for that program year by $500 for each month (or part thereof) which has passed since the deadline. If the reduction is greater than the amount otherwise payable, the amount payable shall be reduced to zero, and the remainder of the reduction shall not be applied to any other program year.

If a participant fails to provide the required documentation within three months after the deadline, then the participant shall not be eligible for a payment for that program year.

After their Forms have been processed, a Calculation of Program Benefits will be sent to participants by the Administration detailing their Program Year Margin and Reference Margin. Subject to Program criteria and eligibility, if the participant's Program Year Margin has declined relative to the Reference Margin, the Calculation of Program Benefits will indicate the amounts payable to the participant, according to the rules set out in the Agreement.

3.5.1 Payment by Tier

Government contributions shall be issued at the following rates in each tier:

1. 80 percent of the portion of the margin decline occurring in Tier 3
2. 70 percent of the portion of the margin decline occurring in Tier 2
3. no contribution towards the portion of the margin decline occurring in Tier 1

3.5.2 Payment Limitations

The maximum total payment to a participant is the lesser of three million dollars, or 70% of the difference between the Reference Margin and the Program Year Margin. For this purpose, any negative portion of the Program Year Margin will be included in the calculation of the difference between the Reference Margin and the Program Year Margin.

The Administration may establish an amount below which a payment will not be issued.

3.6 Exceptions to Deadlines

The Administration may excuse a missed deadline where a participant can demonstrate exceptional circumstances. Exceptional circumstances can be cited where the failure to meet the deadlines of the Program could not have been avoided by the exercise of due care by the producer or a third party acting on behalf of the producer.

3.7 Payments for Negative Margins

If a participant's Program Year Margin is less than zero (negative margin), the participant will be eligible to receive payments for that part of the margin decline that falls within the negative margin providing that, in that Program Year the participant has:

1. incurred a negative margin resulting from any peril beyond the participant’s control; *
2. followed sound management practices;
3. a Reference Margin greater than zero, or had a Production Margin (as determined for the purposes of calculating the Reference Margin) greater than zero in at least two of the three Program Years used in calculating the Reference Margin, including Program Years for which Production Margin was estimated under clause 3.16.2 of the Agreement, but excluding Program Years which were excluded under clause 3.16.1 of the Agreement.

* Participants who did not participate in a Production Insurance program at the minimum level (as set out in these Guidelines) will have their negative margin benefit reduced by sixty per cent of the Deemed Production Insurance Benefit.

Payments will be calculated based on 60% of that part of the Program Year margin decline that falls within the Negative Margin, less any amounts adjusted for Deemed Production Insurance Benefits.

3.7.1 Deemed Production Insurance Benefits

Participants who did not participate in a Production Insurance program at the minimum level (as set out in these Guidelines) will have their negative margin benefit reduced by sixty percent of the Deemed Production Insurance Benefit (deemed benefit), which represents the indemnity that a participant would have received had they participated in Production Insurance, less the premium that a participant would have paid to participate in Production Insurance.

The Deemed Production Insurance Benefit will not be included as income for the purpose of calculating program margins.

The Minimum Production Insurance Coverage Level shall mean coverage on each insurable commodity at the 70% coverage level; or at the lowest level offered where it exceeds 70%, subject to provincial exemptions. The deemed benefit for individual commodities insured at less than 70% will not be offset by other commodities insured at more than 70%.

For purposes of calculating the deemed benefit, a participant that has not purchased any coverage amounts from Production Insurance will have coverage, premium, loss and benefit for each insurable commodity deemed at the Minimum Production Insurance Coverage Level. A participant that has purchased Production Insurance coverage, but less than the Minimum Production Insurance Coverage Level, will have coverage, premium, loss and benefit for each insurable commodity deemed at the Minimum Production Insurance Coverage Level net of the coverage actually taken.

Production Insurance Agencies will calculate the deemed benefit based on information provided by the Administration, following the standard rules used to set coverage, premium and loss within production insurance programs as they existed at the time that coverage would have been obtained. Production Insurance Agencies may contact the participant in order to obtain additional information needed to calculate the deemed benefit. The Administration will determine the applicable crop year for each crop to be imputed that corresponds to the participant’s fiscal year.

If a participant has no production insurance history, coverage, premium and losses (if any) will be determined as for a new entry into the production insurance program. This may require the use of “regional or provincial average” information rather than the usual individual underwriting process.

If a participant has a production insurance history, then those records will be used to establish coverage, premium and loss based on the standards used in the province. If the historical information does not reflect current management practices and potential productive capacity, Production Insurance Agencies may adjust the coverage and premium.

If crop production can be insured under an “acreage value option”, and revenue for this crop is reported to the Administration at less than the coverage provided under the production insurance program, the “insured acreage value” will be used to calculate the deemed benefit.

The highest available price option under the production insurance program will be used to calculate the deemed benefit. If a variable or floating price option is available under a production insurance program, the most common price option that the farm population elects for production insurance will be used to calculate the deemed benefit.

For production insurance participants, any assessed uninsured causes of loss will be counted in calculating the deemed benefit, in order to include indemnities refused to a production insurance client because of poor management or ‘non-insured causes’ of production loss.

Deemed benefits will be calculated for participants who were excluded from participating in Production Insurance for reasons of fraud, misrepresentation, non-payment of premiums or failure to comply with other Production Insurance participation requirements.

3.7.2 Exceptions to Deemed Production Insurance Benefits

In calculating the deemed production insurance benefit, the Administration may exclude the following:

1. Losses that are based on in-field appraisals, rather than post-harvest losses. This would include establishment benefits for perennial forage, unseeded acreage and re-seeding benefits, and any spot loss payments;

2. Losses that are based on proxy measurements, such as weather derivatives or where the loss for one crop type is used to approximate the loss for a second crop type;

3. Losses insurable under a Production Insurance Pilot Program. This would include an insurance product that is being tested for the first time in a province and the designated test area does not represent a significant portion of the potentially insurable area;

4. Losses on commodities where the aggregate insured coverage of the exempted production insurance programs in a province does not exceed 5% of the total insured coverage for that province.

3.8 Payments ***to*** Farms ***with Supply-Managed Commodities***

If a participant’s Program Year margin has not declined into Tier 3, relative to their Reference Margin, any program payments otherwise payable to the participant will be reduced by the ratio of the average allowable farm revenue of supply-managed commodities to the average of total allowable farm revenue in the years used to determine the Reference Margin subject to structural adjustments. No adjustment for supply management will occur if the Program Year margin declines into Tier 3, relative to the Reference Margin.

3.9 Interim Payment

3.9.1 Regular Interim Payments

A participant may request an interim payment for a Program Year before the deadline established by the Administration, which shall not be later than three months after the end of that Program Year. The Administration will allow an interim payment if the following criteria are met:

- the participant has completed six months of farming activity in that Program Year;
- the participant has completed a production cycle in that Program Year;
- if the enrolment deadline has passed, the participant has confirmed participation in the program for that Program Year; and
- the participant's projected Program Year margin has declined into Tier 2 of their Reference Margin.

The eligibility criteria of completing six months of farming activity and/or completing a production cycle may be waived if, in the opinion of the Administration, sufficient farming activities have been concluded to enable a reasonable estimate of the Production Margin for that Program Year.

Interim payments will be made based on the participant's projected margin decline in that Program Year, relative to their Reference Margin, as calculated at the time of the Interim. Payments will be subject to the payment ratios for each respective tier of the participant's Reference Margin. Interim payments will be issued at a rate established by the Administration, which shall not be greater than 50% of the total estimated payment. Canada and an individual Province or Territory may agree on a higher maximum payment rate, not greater than 75%, for interim payments to some or all of the producers in that Province or Territory for a Program Year. The Administration may establish a schedule of rates which vary according to the timing of the request.

The interim payment calculation shall include a projected payment for negative margin in cases where the participant would qualify for a negative margin payment. The Administration may refuse to include a projected negative margin payment in the interim payment calculation where the participant has not participated in Production Insurance to a level specified by the Administration.

Producers receiving Interim payments are required to submit final Program Forms by the established deadline, and must comply with all Program requirements and established deadlines as set out in these guidelines. Failure to do so will result in any interim benefits received by the participant being considered an overpayment in full. Any interim benefits received by a participant that exceeds the actual calculated payment available to the participant for that Program Year will be considered an overpayment.

3.9.2 Targeted Advance Payment

If agreed to between Canada and the affected Province or Territory, the Administration may establish a Targeted Advance Payment for a Program Year for participants in a designated sector or region. Eligible participants may request a targeted advance payment for a Program Year before the deadline established by the Administration, which shall be not later than three months after the end of that Program Year. The Administration will allow a Targeted Advance Payment if the following criteria are met:

- the participant has completed six months of farming activity in that Program Year;
- the participant has completed a production cycle in that Program Year;
- if the enrolment deadline has passed, the participant has confirmed participation in the program for that Program Year; and
- the participant's projected Program Year margin has declined into Tier 2 of their Reference Margin.

The eligibility criteria of completing six months of farming activity and/or completing a production cycle may be waived if, in the opinion of the Administration, sufficient farming activities have been concluded to enable a reasonable estimate of the Production Margin for that Program Year.

For the purposes of the Targeted Advance Payment, producers will be considered part of a designated sector if a significant portion of their farm sales are with respect to that sector in the most recent Program Year for which information is available; for the purposes of this clause, "significant portion" may be defined as 50% or more of farm sales.

Targeted Advance Payments will be made based on the participant's projected margin decline in that Program Year, relative to their Reference Margin, as calculated at the time of the advance. The participant's projected margin decline will be determined as follows:

1. The industry average margin decline on the participant's farm is calculated for the current Program Year by:

    i) Determining the number of the participant's productive units for each commodity (or commodity group) in the most recent Program Year for which information is available.

    ii) For the Current Program Year and each of the reference years, multiplying the productive units determined in (i) by the respective BPU for each year;

        Note: Where the benchmark per unit margin is for a commodity (or commodity group) insurable under Production Insurance, the appropriate premium and payment amounts will be reflected in the benchmark per unit margin.

    iii) The resulting values for each commodity (or commodity group) are added together for the Current Program Year and each of the reference years.

    iv) An Olympic Average reference margin is calculated using the total values for each of the reference years.

    v) The difference between the Olympic Average calculated in (iv) and the Program Year margin calculated in (iii) expressed as a percentage of the Olympic Average is the industry average margin decline.

2. The industry average margin decline calculated in (1) is applied to the reference margin for the most recent Program Year for which information is available to determine the participant's projected margin decline.

For the 2008 Program Year, Canada and Prince Edward Island may agree to use a calculation other than that set out in this clause to determine a participant's projected margin decline for the purposes of a Targeted Advance Payment offered in that province.

Targeted Advance Payments will be subject to the payment ratios for each respective tier of the participant's Reference Margin. The Targeted Advance Payments will be issued at a rate established by the Administration, which shall not be greater than 75% of the total estimated payment.

No participant shall receive a Targeted Advance Payment greater than one and one-half (1.5) million dollars.

Participants who request both a Targeted Advance Payment and an interim payment (as set out in section 3.9.1 of these guidelines) for a Program Year will be eligible to receive an amount equal to the greater of these two payments.

Producers receiving Targeted Advance Payments are required to submit final Program Forms by the established deadline, and must comply with all Program requirements and established deadlines as set out in these guidelines. Failure to do so will result in any Targeted Advance Payment received by the participant being considered an overpayment in full. Any Targeted Advance Payment received by a participant that exceeds the actual calculated payment available to the participant for that Program Year will be considered an overpayment.

3.10 Debts Due to the Crown

Debts due to the Crown may be deducted from any monies paid to a participant and applied to the debt.

Participants will be notified of these offsets.

3.11 Account Transfers

If an individual participant incorporates his/her farming operation, the participant can transfer his/her individual account to the corporation. To do this a participant must provide the Administration with notification in writing of the intention to transfer, including the corporation's Business Number (if available) and the last year for which an individual application will be filed. If available, the Administration may also request:

- Documentation confirming the transfer has legally taken place in accordance with the *Income Tax Act* or a signed declaration from the participant that he/she has filed an election under Section 85 of the *Income Tax Act*;

- A copy of the original contract (or relevant sections) between the participant and the corporation which identifies the assets being transferred and the related value.

3.12 Treatment of Payments under the Program

Program payments are considered farming income for income tax purposes. Program payments cannot be assigned, or otherwise encumbered, except for the purposes of the Advance Payments Program as set out under the *Agricultural Marketing Programs Act*.

In Quebec, program payments can be assigned as allowed under provincial law.

3.13 Adjustments to Financial Information

Producer-initiated adjustments to information used in calculating Program benefits for a Program Year (including information used in calculating the reference margin for that Program Year) may be requested by submitting a written request to the Administration up to 18 months after notification of the original Calculation of Program Benefits for that Program Year. Additional benefits will not be paid with respect to a previous Program Year as a result of a producer-initiated adjustment submitted outside the 18 month period for the previous Program Year.

If the Administration rejects the adjustment, the Producer may submit an appeal under clause 5.3 with respect to the decision to reject the adjustment, within 90 days of being notified of that decision. Otherwise, an adjustment request which has been rejected may not be resubmitted by a producer.

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

All adjustments require supporting documentation and are subject to verification, audit and/or inspection by the Administration. Where adjustments affect taxable income, the Administration may require that the adjustment be accepted by CRA before it is accepted for Program purposes.

Where a producer submits an adjustment to AgriInvest for a Program Year, and the AgriInvest Administration accepts that adjustment, then the AgriStability Administration may accept the same adjustment for the purposes of AgriStability (to the extent that it is relevant to AgriStability calculations), even if the prescribed period for AgriStability adjustments has passed.

The Administration isn't subject to deadlines in cases of adjustments initiated by the Administration.

PART 4 – PROGRAM PARAMETERS

4.1 Participation Requirements

- Sole proprietors, partners in a partnership (with the exception of limited partners and partnerships in Quebec), and estates participate in the Program as individuals. Individual participants must each hold a Program account and must provide their Social Insurance Number (SIN), as well as any other relevant information as required by the Administration. For partnerships, the Administration will calculate each partner's share of payments based on each partner's percentage share of the operation in the Program Year.

- An Entity must provide the Business Numbers and/or Taxation Numbers used by the Entity for income tax purposes, as well as any other relevant information as required by the Administration. Corporations and co-operatives may also be required to provide the SIN's of each shareholder or co-operative member. Any payments will be made directly to the entity.

- Multiple Operations: Each individual or entity that reports farming income (or loss) for income tax purposes must participate in the Program separately. A participant must report the farming income (or loss) of all sole proprietorships and/or partnerships (that are not considered a separate participant) in which they are involved.

- A participant must participate in the province of the main farmstead.

4.2 Method of Accounting

Unless otherwise specified by the Administration, the same method of accounting that is used to report financial information for income tax purposes must be used for the purposes of participating in the Program.

If the method of accounting is not consistent across all years in the reference period, the participant will be required to convert financial information, unless otherwise specified by the Administration, as required to ensure that all reference years are reported to the Administration on a consistent method of accounting.

4.3 Allowable and Non-Allowable Income and Expenses

The production margin is calculated as the difference between allowable income and allowable expenses in a fiscal period. Income and expense items that are considered allowable for Program purposes include:

Allowable Income	**Allowable Expenses**
• Agricultural Commodity Sales	• Commodity Purchases
• Rebates for Allowable Expenses	• Containers and Twine

- Crop/Production Insurance Proceeds
- Insurance or Other Proceeds for Allowable Income and Expense Items
- Wildlife Damage Compensation Payments

- Crop/Production Insurance Premiums
- Insurance or Other Premiums for Allowable Income and Expense Items
- Pesticides
- Fertilizer and Lime
- Veterinary fees, medicine, A.I. fees
- Minerals and Salts
- Machinery Gasoline, Diesel Fuel, Oil
- Electricity
- Freight and Shipping
- Heating Fuel
- Arm’s Length Salaries
- Storage/Drying
- Feed
- Commodity Futures Transaction Fees

The program administrators will, from time to time, discuss questions of interpretation which are found to typically arise in analyzing the eligibility of income and expenses.

Income and expenses related to farming activities outside of Canada are not eligible for coverage under the Program.

Income and expenses related to aquaculture, peat moss production, or operation of a wild game reserve are not eligible under the Program. Income and expenses related to the operation of a hunt farm (where permitted by law) are allowable to the extent that they are directly related to the production and sale of livestock, excluding any ancillary services (such as transportation, lodging, outfitting, etc.).

Any income or expenses that cannot be substantiated by a verifiable explanation or are considered by the Administration to be unreasonable may be adjusted by the Administration.

4.3.1 Program Payments

Payments and premiums related to government programs other than production insurance are considered non-allowable income for Program purposes, except as set out in the Agreement.

4.3.2 Crop/Livestock Share

Landlord or lessor income, whether cash rent or payments-in-kind, earned through a crop or livestock share or lease arrangement must be reported as rental income for income tax purposes, and therefore is considered non-allowable under the Program. However, where the arrangement constitutes a joint venture, such that the landlord or lessor's share in the allowable expenses reasonably approximates their share in the allowable related income, those income and expenses may be considered allowable.

Tenants or lessees reporting income or inventory derived through a crop or livestock share or lease must report their income and expense information based on their percentage share.

4.3.3 Contract Work and Machine Rental

All contract work/machine rental income and expenses are considered non-allowable under the Program, with the exception of expenses for trucking that is used to transport eligible commodities to market or eligible inputs to the farm. Income generated from these non-allowable services is excluded from production margin calculations. In addition, an amount equal to 30% of reported contract work income will be deducted from allowable expenses. Where the 30% ratio is inappropriate for the operation, the Administration may use a different expense ratio, and where required, request supporting documentation from the participant.

Contract work expenses must be itemized in order to be considered allowable. If contract work expense amounts for arm's length labour or production input costs are to be considered allowable, these amounts must be itemized separately on the participant's financial statements submitted with their income tax return (or other documentation if accepted by the Administration under Section 3.5 of these Guidelines). Where there is a discrepancy in the method used to itemize expenses in the claim year and the reference period, the reference period expenses shall be adjusted according to the method used in the claim year.

Custom Feeding Operations: In order for income and expenses from a feeding operation to be considered allowable, the operation must have made an appreciable contribution to the growth and maturity of the livestock. In the case of cattle, an appreciable contribution will have been made if the animals are fed for at least 60 days, or gain an average of at least 90 kilograms. A custom feeding operator must grow or purchase the feed used in the operation. Operations are not considered to have made a contribution to the growth and maturity of the livestock, and their income and expenses are therefore non-allowable, if they are:

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

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

For cattle, an amount equal to 5% of reported custom feeding income will be deducted to account for yardage fees. Where the 5% is inappropriate for the operation, the Administration may use a different percentage, and where required, request supporting documentation from the participant.

4.3.4 Wood Sales and Tree Production

Income and expenses related to tree production must be generated through farming activity to be allowable under the Program. Farming activity would include the planting, nurturing and harvesting of trees, with significant attention paid to managing the growth, health, and quality of the trees. Income and expenses generated in the production or harvesting of trees for use as firewood, construction material, poles or posts, fibre, pulp and paper, or for use in reforestation are considered non-allowable under the Program. Income generated from these sales is excluded from production margin calculations. The Administration may adjust reported expenses to remove the non-allowable portion.

4.3.5 Commodity Futures

Futures market transactions (including options and forward contracts) are allowable income and/or expenses to the extent that these transactions are considered a hedging strategy. To demonstrate that the futures market transactions are a hedging strategy, a participant may be required to demonstrate through a written summary of their futures market strategy and brokerage statements recording their futures transactions for the years in question that:

- All futures transactions are hedging, not speculation;
- All futures transactions were undertaken in currencies, or in commodities produced and/or consumed on the farm or would be considered a proxy for that commodity (e.g., a producer that does not grow or feed grain could not include wheat futures transactions as eligible income and/or expense);
- All futures transactions represented a volume of product that could either be reasonably produced and/or consumed on the farm, or would be considered a proxy for that commodity.

Allowable transaction costs include, but are not limited to purchases and sales of futures contracts, penalties for buying out forward contracts and premiums for options.

4.3.6 Processing and Resale

Income and expenses from processing are allowable for a participant if:

- The commodities were produced on the participant's agricultural operation; and
- The income and expenses were reported as farming income (or loss) by that participant to the Canadian Revenue Agency for income tax purposes.

"Processing" is defined as a changing the state of the commodity (e.g.; milk to cheese, strawberries to jam, beeswax to candles, beef to beef jerky, grain to flour).

Income and expenses related to the purchase of commodities for resale are not allowable.

4.4 Program Year Margin

For participants who report current program year information on a cash basis, the Administration shall adjust the Program Year Margin for changes in inventories using the Hybrid Inventory Adjustment, and shall also make adjustments for changes in accounts payable and receivable, and purchased inputs.

For participants who report current program year information on an accrual basis, the Administration shall adjust the Program Year margin for changes in inventories using the Hybrid Inventory Adjustment.

Where Program Years are less than 12 months, they will be treated as a stub period (see Section 4.6 of these Guidelines).

4.4.1 Hybrid Inventory Adjustment

Where margins are adjusted using the Hybrid Inventory Adjustment for a Program Year, inventory shall be included in the margin by calculating the difference between (a) the ending quantity multiplied by the ending price; and (b) the beginning quantity multiplied by the beginning price, with the following exceptions:

- Inventory of breeding livestock and culled breeding livestock shall be included in the margin by calculating the difference between (a) the ending quantity multiplied by the ending price; and (b) the beginning quantity multiplied by the ending price.

- For inventory of perishable crops, the Administration may apply a receivables adjustment to more accurately reflect the income associated with the crop production in that Program Year.

- For commodities marketed through the Canadian Wheat Board, the Administration shall apply a receivables adjustment to more accurately reflect the income associated with the crop production in that Program Year.

The Hybrid Inventory Adjustment shall be applied to margins reported on an accrual basis only with respect to inventory of breeding livestock and culled breeding livestock.

4.5 Reference Margin

Use of the Olympic Average requires that a participant report farming income (or loss) for income tax purposes in each of the five years immediately prior to the current Program Year. For participants that did not have farming activity and did not report farming income (or loss) in each of the five years of the reference period, Reference Margins will be calculated based on the average production margin of the three years immediately prior to the current Program Year.

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

For a participant whose farming operation has undergone a structural change, the Administration will adjust the participant's production margins in the reference period prior to determining which years will be used to calculate the Olympic average.

4.5.1 Accrual Adjustments to the Reference Margin

4.5.1.1 Reference Years reported on a Cash Basis

For reference years that were reported on a cash basis, the Administration shall adjust the reference year margin for changes in inventories using the Hybrid Inventory Adjustment, and shall also make adjustments for changes in accounts payable and receivable, and purchased inputs.

4.5.1.1.1 Exception for the 2007 Program Year

For the 2007 Program Year, the Administration shall apply the Hybrid Inventory Adjustment to each reference year for which the required information is available to the Administration. If the required information is not available to the Administration for a reference year, then that reference year margin shall not be adjusted for changes in inventory, unless the participant elects to provide the required information by the deadline set by the Administration.

Where the Hybrid Inventory Adjustment is applied to a reference year reported on a cash basis, the Administration shall also make adjustments for changes in accounts payable and receivable, and purchased inputs.

4.5.1.2 Reference Years reported on an Accrual Basis

For reference years that were reported on an accrual basis, the Administration shall adjust the reference year margin for changes in inventories using the Hybrid Inventory Adjustment. However, this adjustment shall not be applied to reference years prior to 2006.

4.5.2 Accrual Adjustments to the Reference Margin and the Olympic Average

The Administration will apply any adjustments to reference period information prior to calculating the Olympic Average Reference Margin.

4.6 Greater than 12 months or Stub Periods

Participant's fiscal periods ending within the same calendar year may be combined by the Administration. If they represent a period greater than 12 months (long year), the combined income and expenses will be prorated to reflect a 12 month period and neither of those periods will be considered a Stub Period.

However, if within the long year, the producer completes only the number of production cycles the operation would expect to complete in a 12 month period the Administration may consider the long year as the full fiscal period and not prorate the long year to reflect a 12 month period.

If a participant's fiscal period represents less than 12 months (a stub Period) or if the combined fiscal periods ending within the same calendar year jointly represent less than 12 months, the income statement for this Stub Period will be combined with the information from preceding statements until a minimum period of 12 months is available. The combined income and expenses will be prorated to reflect a 12 month period.

However, if at least one production cycle is completed within a Stub Period, the Administration may consider the Stub Period as the full fiscal period in calculating the Production Margin for that Program Year (whether it is the current Program Year or a reference year) and apply, if the Administration determines it is needed, a structural change adjustment to reflect the Stub Period.

Separate income statements must be provided for each fiscal period.

As a result of a change in a participant's year end, the participant may have a reference year in which no fiscal year end occurred and the farming income (or loss) for the farming activity during that time was reported for income tax purposes in the subsequent tax year. The Administration may create a margin for that reference year based on the farm's productive capacity of the current Program Year.

Producers changing their year-ends within a Program Year will, for that Program year, be bound by their fiscal year-end deadlines at the beginning of the Program Year for the purposes of the Enrolment Notice.

4.7 Structural Change

Structural change is a change in ownership, business structure, size of operation, farming practices, type of farming activity, method of accounting, or any other practice that a participant might undertake that may alter production margins. If the Administration determines that there has been a significant change in a farming operation's potential for profit as a result of a structural change, adjustments will be made to the reference year and/or Program Year margins to reflect the change.

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

A structural change adjustment will not be applied unless the difference between the Reference Margin before and after applying the structural change adjustment is at least 10% and $5,000.

4.7.1 Changes in Productive Units

Where there has been a change in productive units, the Administration shall perform the structural change adjustment using the ratio method unless, in the opinion of the Administration, another method would more accurately reflect the structural change.

The ratio method assumes that the previous performance of the farming operation is an accurate predictor of the performance of the farming operation with respect to the change in productive units or commodities. There are cases in which the Administration may consider that this assumption is not realistic, and another method is more appropriate. The parties to the agreement will establish common procedures that can be used by the Administration to identify these cases.

When using the ratio method, the structural change shall be performed as follows:

1. For each year in the reference period, the number of productive units (for each commodity or for commodity groups established by the Administration) in that year will be multiplied by the BPU in that reference year for that commodity or commodity group. A benchmark production margin for each reference year will be established in this manner.

2. For each year in the reference period, the number of productive units (for each commodity or commodity group) in the current Program Year will be multiplied by the BPU in that reference year for that commodity or commodity group. A benchmark production margin for each reference year will be established in this manner.

3. The benchmark production margin calculated in (2) will be divided by the benchmark production margin calculated in (1).

4. The ratio calculated in (3) will be multiplied by the actual production margin for that reference year.

4.7.2 Structural Change and Disaster Circumstances

The structural change adjustment may be waived if, in the opinion of the Administration, a structural change was as a result of disaster circumstances. These situations will be dealt with on a case-by-case basis to ensure that all relevant factors affecting production in the Program Year are considered. Moreover, the structural change may be waived until such time that is reasonable to restore or replace productive capacity.

In deciding whether to waive a structural change adjustment, the Administration shall apply the following principles:

- Disaster circumstances include only those occurring for reasons outside of a producer's control. Common examples are flooded land and depopulation of livestock due to disease.

- Where compensation is received by the producer for lost productive capacity, it will be considered allowable income under the program to the extent it is received in lieu of normal farm income or as an allowed program payment.

- Where the nature of the disaster is such that the producer's productive capacity can be restored, the structural change will be waived for such time as is reasonable for restoration to take place.

- Where the nature of the disaster is such that the producer's productive capacity cannot be restored, or restoration would be economically unfeasible, the structural change will be waived for such time as is reasonable for the producer to develop alternative capacity. Generally speaking, a reasonable time period would not exceed one year.

4.7.3 Structural Change and Olympic Average Reference Margin

The Administration will apply any structural change adjustments to the production margin of each reference year prior to calculating the Olympic Average Reference Margin.

4.8 Combining Participants

The income and expense information of two or more Related Persons may be combined if; in the opinion of the Administration their farming operations are part of a whole farm, even though the operations report separately for income tax purposes.

4.8.1 Assessing the Independence of Operations

In determining whether farming operations are part of the same whole farm, the Administration will evaluate each operation's respective degree of legal, financial, and operational independence.

The following criteria will be considered:

Legal Independence	Financial Independence	Operational Independence
Land Ownership Land title Consideration Liens/encumbrances	**Transactions** Arm's length Special considerations	**Equipment** Owned/rented Custom contract
Land Rental Lessor/lessee Consideration Terms	**Equity** Amount Risk Guarantors	**Decision Making** Education/training Knowledge/experience
Business Registrations / Agreements Formality Intent Terms	**Separate Accounting** Books and records Bank accounts/loans Income tax filing Accounts with suppliers	**Storage and Sales** Independent storage Permit books

4.8.2 Transactions Not At Fair Market Value (FMV)

Transactions between all parties (whether they are Related Persons or otherwise) must be at FMV to be considered allowable for inclusion in the calculation of margins. Transactions above or below FMV may be adjusted by the Administration to reflect FMV. Where these transactions cannot be clearly defined, the Administration may combine the income and expenses of the parties involved in these transactions.

4.8.3 Margin and Payment Calculation for Combined Participants

The margin and payment calculation for combined participants will be performed as follows:

1. For each reference year, the allowable income and expenses of all operations are combined to arrive at a production margin for that year.

2. Based on the combined production margin for each reference year, a Reference Margin for the combined operation is calculated.

3. For the current Program Year, the allowable income and expenses (including all adjustments for inventories, payables, and receivables) for all operations is combined to arrive at a combined Program Year margin.

4. Each participant is allocated a percentage of the combined Reference and Program Year Margins based on each participant's share of the combined operation's benchmark margin. The benchmark margin for the combined operation is calculated by multiplying the combined operation's production units in the current Program Year by the average BPU of each unit over the previous five years.

5. Each participant's producer contribution and payments are calculated based on its share of the combined operation's Reference Margin, Contribution Reference Margin and Program Year margin. Each

participant is responsible to meet the producer contribution requirements and other program requirements.

6. The supply-management ratio calculation in Section 3.8 of these Guidelines shall be calculated for the combined operation and applied to each combined participant.

4.9 Production Insurance Linkage

A payment in the nature of a production insurance premium adjustment will be made as a direct payment by the Administration to an eligible participant as a linkage between the AgriStability program and the Production Insurance program. The premium adjustment will be paid separately from program payments under clause 3.7 of the Agreement, and will not count towards a participant's payment limitations under AgriStability.

4.9.1 Eligibility Requirements

In order for a participant to be eligible to receive a premium adjustment payment with respect to a Program Year, the participant must have received a Production Insurance indemnity related to that Program Year, as reported for program purposes, or as otherwise verified.

4.9.2 Calculating the Premium Adjustment

1. The participant's AgriStability payment is calculated with Production Insurance premiums and indemnities treated as non-allowable income and expense items in the determination of the production margin for all years.

2. The participant's AgriStability payment is calculated with Production Insurance premiums and indemnities treated as allowable income and expense items in the determination of the production margin for all years.

3. If the total payment as calculated in Step 1 exceed the sum of the payment as calculated in Step 2 plus the net benefit of the participant's Production Insurance indemnity related to that Program Year, a premium adjustment will be paid to the participant in the amount of the difference. The premium adjustment will be limited to a maximum amount equivalent to the participant's Production Insurance premium as related to that Program Year.

4.9.3 Treatment of Premium Adjustments under AgriStability

For AgriStability production margin calculation purposes, premium adjustment payments will be considered non-allowable income in calculating the Program Year Margin and allowable income in the reference period.

4.9.4 Programs Equivalent to Production Insurance

The following programs are considered equivalent to Production Insurance, and premiums and indemnities for these programs will be treated as Production Insurance premiums and indemnities for AgriStability and Production Insurance Linkage purposes:

- Unsubsidized hail insurance

PART 5 - PROGRAM MANAGEMENT

5.1 Audits, Verification and Accuracy of Information

By participating in the Program, a participant consents to the disclosure of personal information required for account administration. In doing so, the participant further consents to allow access to any information by the Minister of Agriculture and Agri-Food and the Provincial Ministers of Agriculture for the purposes of audit, analysis, evaluation, Program development and calculating and delivering separate Program payments subject to the provisions of their respective Privacy Acts.

A participant may be subject to audit on a pre- or post-payment basis by the Administration. Any information obtained through audit or inspection may be made available by the Administration to CRA. Participants who are in the process of an audit must continue to adhere to all Program deadlines.

A participant who provides false or misleading information will be denied a payment for the Program, and will be required to repay any payment received. If audit or inspection otherwise results in a change to the amount a participant is entitled to under the Program guidelines, any additional amount will be paid to the participant and any overpayment will be repayable by the participant.

If a participant has provided false information, or has breached a condition of eligibility, the Administration may deem the participant to be ineligible to participate in the program for up to two additional years under clause 11.7 of the Agreement. The Administration must provide notice to the participant and an opportunity to respond before doing so.

If a participant fails to provide the required information or access to books and records, the participant will be denied all or part of the payment for the Program Year or will be required to repay any payment received.

It is the participant's responsibility to ensure that information supplied for income tax purposes and the Program is correct and complete. Participants must inform the Administration of any changes or corrections to information supplied to the Administration.

The Administration will not be responsible for notifying Participants of incorrect tax reporting. The Administration may adjust tax information as necessary for the purposes of calculating production margins, but the Administration will not be responsible for reporting the adjustments or corrections to CRA. Participants may be notified in writing that a correction of information reported for income tax purposes is required in order for a Program application to be processed.

5.2 Overpayments

A participant will be required to repay to the Administration any payments received under the Program that are in excess of the amounts permitted under the guidelines of the Program. A participant may be charged interest commencing 30 days after the date that notification of overpayment is issued. The interest rate used is the 90-day federal Treasury Bill rate plus two percent per annum, adjusted quarterly. An Administration may use a different interest rate with the concurrence of Canada and each province for which the Administration is the administrator of the program.

5.3 Producer Appeals

A participant who is of the view that Program rules were not correctly applied in the processing of their application may request a review of the application by the Administration. The Administration may refer matters raised by participants to an Appeals Committee it has established.

The parties to the agreement shall establish a common terms of reference for appeals committees.

5.3.1 Submitting an Appeal

Appeals shall be subject to a deadline of 90 days from the date that the Participant is notified by the Administration of the decision which is subject to appeal.

Appeals must be submitted in writing to the Administration. Appeal letters must clearly identify the nature of the appeal and provide sufficient information and documentation to substantiate the appeal. The details surrounding the situation must be verifiable for the appeal to be upheld. Failure to identify the nature of the appeal and/or provide sufficient information and documentation to substantiate the appeal by the date specified by the Administration will result in the appeal not being forwarded for appeal.

Appellants, including those who use the services of a third party, shall be considered responsible for knowing and following Program policies and deadlines. Disagreement with Program policies is not a valid ground for appeal.

The Administration may decline to refer an appeal to an Appeals committee where the appeal does not disclose a valid ground for appeal.

5.3.2 Appeals Committees

An Appeals Committee shall consider matters referred to it by the Administration in accordance with procedures established by the Administration and the agreements governing the Program, and make non-binding recommendations.

PART 6 – FINANCIAL PROVISIONS AND ADMINISTRATIVE COST-SHARE

6.1 Budgets and Invoicing

6.1.1 Invoicing of Government Contributions to Fund 2

The Administration shall invoice the other party for its estimated share of Fund 2 payments based upon an agreed-to period, net of the other party's share of any revenue from producer contributions due to opt-out or dissolution under clause 6.10 of the Agreement (except where those producer contributions have already been credited to the invoiced party). The invoice shall contain actual Fund 2 payments to date, a forecast of estimated Fund 2 payments for the requested advance period, interest amounts on advance balances and total amounts advanced to date. The invoiced party shall pay the invoiced amount within thirty (30) days of receipt of invoice. The advances shall be accounted for by the Administration on a basis consistent with the invoicing period through a reconciliation of the amount advanced with actual payments made to the participants. Any amount owing by one party on account of advances made shall be repaid within thirty (30) days of the receipt by both parties of the final audited reconciliation of payments made. Upon termination of the Program by one of the parties, any outstanding amount identified on the final reconciliation shall be paid or reimbursed to the appropriate party.

If agreed to between the invoicing party and the invoiced party, the invoicing party may credit the invoiced party for the invoiced party's share of producer contributions made under clause 3.2.3 of the Agreement and debit the invoiced party for the invoiced party's share of producer contributions paid out under clause 3.7 of the Agreement. Where the invoiced party has been credited for a producer contribution, any revenue relating to that producer contribution under clause 6.10 of the Agreement (on opt-out or dissolution) will be retained by the invoicing party, and will not be credited to the invoiced party a second time.

6.1.2 Administrative Budgets and Invoicing of Eligible Administrative Costs

The Administration shall invoice the other party for its estimated share of incurred administrative costs, net of any administrative revenue, at least quarterly. The party that is incurring the administrative costs shall provide an administrative cost sharing budget for the fiscal year for the approval of the contributing party prior to payment of any invoices. Significant assumptions shall accompany the budget(s), including but not limited to:

1. expected number of participants
2. estimated administrative revenue from participants
3. administrative cost allocation methodology as appropriate
4. capital expenditure plan for the year, including specific details of expected capital expenditures greater than $100,000. Acceptance of the administrative budget constitutes "written approval of the payer" referred to in Section 9.5 of the Agreement

5. subject to the criteria set out in a project cost-sharing framework agreed to by the parties, and in the format prescribed by that framework, project business plan(s) which will be subject to written approval by the payer prior to acceptance.

The invoiced party shall pay the invoiced amount within thirty (30) days of receipt of the invoice. The remitted amounts shall be accounted for by the Administration on a basis consistent with the invoicing period through a reconciliation of the amount received with paid administrative costs eligible for cost sharing. Any amount owing by one party on account of advances made shall be repaid within thirty (30) days of the receipt by both parties of the final audited reconciliation of administrative costs incurred.

Written approval will be required if total actual administrative costs, or actual capital costs vary by more than 15% of the original budget estimates.

The reasonableness of a cost sharing budget will be judged in relation to national administrative cost indicators so that national consistency in delivery is improved and maintained.

Administrative costs eligible for cost sharing must be consistent with the Administrative Cost-Sharing Principles (Section 9 of the Agreement) and any other terms as in an exchange of letters between the parties.

Upon termination of the Program by one of the parties, any outstanding amount identified in a final reconciliation shall be paid or reimbursed to the appropriate party.

6.2 Disposal of Capital Assets

All assets acquired by the delivery administration for which Contributions were made by the payer shall be disposed of at fair market value and the proceeds there from shall be deducted from shareable capital purchases unless both parties agree to an alternate arrangement.

6.3 Interest on Program Advance Balances and Unpaid Administrative Invoices

Interest on Program payments made shall be calculated on the average daily closing balance of advances. The calculated interest shall be credited or debited, as the case may be, to the account of the party that advanced the funds.

Interest on administrative cost payments made shall be calculated on the average daily closing balance of advances. Once the invoiced amount is accepted by the invoiced party, that party agrees to pay the Administration interest on accepted invoiced amounts not paid within thirty (30) days.

Upon written agreement of both parties, an Administration may forego the receipt of the interest payment resulting from the advanced funds.

The rate of interest shall be ninety (90) percent of the monthly average of the weekly three-month Treasury Bill tender rates for the month immediately preceding the month in respect of which interest is paid.

6.4 Accounting Principles

1. Distributions of operating costs common to several claimant Programs shall be reasonable in terms of the manner in which the Program is administered, as well as being verifiable and supported by appropriate information management systems that are based upon formal management approval processes. As payroll costs represent the largest portion of operating costs, all common or shared costs of a claimant may be allocated to the Program in the same proportion as the claimant's cost-shareable Program payroll costs relative to its total payroll costs. If operating costs for the Program are based upon a system that relies upon cost estimates and projections, these estimates and projections shall be adjusted to actual payment amounts - prior to issuance of the final invoice for the associated period.

2. Claimants shall identify all expenses which specifically pertain to each Program (or Programs) that they administer at the time the expenses are incurred. The claimant shall also record expenses which are clearly identifiable with a specific Program or group of Programs in separate general ledger expense accounts.

3. Costs of services normally provided free of charge to the claimant, or the costs of services associated with claimant employees other than those directly employed in Program delivery activities are eligible for cost sharing provided that these costs have been identified in an exchange of letters and have been accepted by the payer.

4. Payers reserve the right to offset their cost reimbursement obligations to a claimant with any eligible administration costs they have incurred – subject to the principles set out in Section 9 of the Agreement and these Guidelines. Claimants retain the right to audit any such costs used by payers to offset their requests for reimbursement.

5. In regard to Program operating costs for payroll and related payroll benefits for claimant personnel working on the administration of the Program, eligible costs for this category would include Canada Pension Plan contributions, Québec Pension Plan contributions, Employment Insurance contributions, severance payments, holiday pay, "vested" superannuation contributions, and insurance plan premiums. To be eligible for reimbursement, these contributions must be funded and can only pertain to employee service which matches Program delivery time frames; (Severance payments must have been made in accordance with collective agreements and/or employment contracts which are consistent with established claimant policies and which were for terminations intended to further the operational needs of the claimant as it relates to the delivery of the Program.)

6. If a claimant administers the delivery of another claimant's AgriStability Program initiative, and does not charge the latter for its services, then the former shall be allowed to claim the eligible administrative costs it incurred on behalf of both itself and the other claimant for whom it is delivering the Program. The claimant benefiting from this method of service delivery shall not be allowed to claim these costs. If the claimant contracted to deliver the Program on behalf of another charges the latter for doing so, then all monies recovered by it for doing so must be netted against its previously incurred, eligible operating costs. In such a case, the claimant paying for this service shall be allowed to report the amount it paid for this service delivery process as its own operating costs.

7. The reporting cycle for Program-related administrative costs shall be on a fiscal (March 31st) basis rather than on a calendar (December 31st) basis.

8. Minimum documentary evidence shall be maintained and made available for audit purposes.

6.5 Administrative Cost Indicators

National administrative cost indicators have been developed to help attain national consistency in delivery that is cost effective and transparent. The indicators provide a benchmark in the process of approving budgeted shareable administrative costs per these Program Payment and Administrative Cost Sharing Guidelines.

The parties shall use, in whole or in part, but are not limited to, the following indicators to assess the reasonability of each delivery partner's budgeted shareable administrative costs, both in total and the applicable share by province.

Indicators reflecting national consistency in delivery costs:

- administrative cost per application processed, including ineligible applications;
- administrative cost per participant account maintained;
- administrative cost per Government contribution paid;
- administrative cost as a percentage of Program dollars paid.

PART 7 – MANAGEMENT OF GUIDELINES

7.1 Coming into Effect

These Guidelines shall come into effect for the 2007 Program Year, with the exception of clause 4.7 (structural change), which shall come into effect for the 2008 Program Year.

The Guidelines in effect for the 2006 Program Year shall not apply to the 2007 Program Year or later Program Years, with the exception of clause 4.7 (structural change), which shall apply to the 2007 Program Year as it was in effect for the 2006 Program Year.

7.2 Program Guidelines Review

Authorized representatives from each of the signatories to the Program will:

- monitor and periodically review Program Guidelines to ensure they are applied in a consistent manner across all Administrations;
- provide advice and guidance on administrative and policy issues to the Program.

7.3 Amendment

These guidelines may be amended from time to time according to the requirements set out in the Agreement for adopting Guidelines.

7.4 Termination

These guidelines shall be terminated with respect to a Province or Territory upon the termination of the Agreement with respect to a Province or Territory.

7.5 Application

These guidelines are subject to the Agreement, and any inconsistency between the Guidelines and the Agreement shall be resolved in favour of the Agreement.