

Technical Information Circular # 4

HYBRID ACCRUAL MARGINS

Production Margins

For participants who report current Program Year information on a cash basis, the Administrator will adjust the Program Year Margin information for changes in inventories using the Hybrid Inventory Adjustment. Also, adjustments will be made to the Program Year Margin for changes in accounts payable, accounts receivable, and purchased inputs.

For participants who report current Program Year information on an accrual basis, the Administrator will adjust the Program Year Margin for changes in inventories using the Hybrid Inventory Adjustment. Accrual inventory adjustments related to breeding stock that are included in the participant's Program Year information will be removed and revalued using the Hybrid Inventory Adjustment.

Hybrid Inventory Adjustment

Margins are adjusted using the Hybrid Inventory Adjustment for a Program Year and will include inventory adjustments by calculating the difference between the ending quantity multiplied by the ending price, and the beginning quantity multiplied by the beginning price (also known as P1/P2 pricing) with the following exception:

- Inventory of breeding livestock and culled breeding livestock will be calculated as the difference between the ending quantity multiplied by the ending price, and the beginning quantity multiplied by the ending price (also known as P2 pricing.)

Adjustments in Reference Years

For Reference Years reported on a cash basis, the Administrator will adjust the Reference Year margin for changes in inventories using the Hybrid Inventory Adjustment, this also applies for changes in accounts payable, accounts receivable and purchased inputs.

For Reference Years reported on an accrual basis, the Administrator will adjust the Reference Year margins so that all Reference Years from 2006 onward have breeding livestock valued using the Hybrid Inventory Adjustment.

Note: Participant -provided accrual inventory adjustments, for a Program Year OR for Reference Years, will be reviewed for reasonableness. The Administrator may adjust reported values if considered to be unreasonable.

* See 4.4, 4.4.1, 4.5.1 pages 27-29 of the Canadian Agricultural Partnership Guidelines