

Technical Information Circular # 7

APPLIED REFERENCE MARGIN LIMIT

General Information

The Federal-Provincial-Territorial Governments entered into a new 5 year agricultural agreement effective April 1, 2018. The Canadian Agricultural Partnership Agreement (CAP) was built off the previous Growing Forward 2 Agreement.

Adjusted Reference Margin Limit

Under Growing Forward 2, the reference margin used to calculate Program benefits was the lower of the Olympic Average Reference Margin and the average adjusted expenses, known as the Reference Margin Limit.

Under CAP, the Reference Margin Limit will now be adjusted to ensure a more equitable level of support for Participants impacted by the limit. Participants subject to limiting are now guaranteed at least 70% of their calculated Olympic Average Reference Margin, known as the Adjusted Reference Margin Limit.

Applied Reference Margin Calculation

On the next page is the “Applied Reference Margin Calculation”. The first calculation is the “Olympic Reference Margin Calculation”.

Production Margin (Schedule 4) – this represents your margins which is the allowable income minus your allowable expenses, receivables, payables, and purchased inputs.

Your share of Farm Operations – consists of the Production Margin, Structural Change Adjustment and your Adjusted Production Margin

Olympic Reference Margin – drop the high and the low margin and average the other three margins gives you A.

Reference Margin Limit Calculation – consists of your Expense Margin, Expense Structural Change and Adjusted Expense Margin using the same 3 years as the Olympic Reference Margin.

Reference Margin Limit – the Reference Margin Limit calculation results in (B) which is the Reference Margin Limit.

Your margin is subject to limiting if B is less than A

Adjusted Reference Margin – this amount is calculated by taking 70% of the Olympic Margin (A).

Adjusted Reference Margin Limit – is the lower of 70% of (A) and 100% of (B).

Participant reference margin shall not be reduced by more than 30%.

Applied Reference Margin – Applied Reference Margin is the lower of A and B but shall not be lower than Adjusted Reference Margin Limit C.

Type of Reference Margin Calculation	Reference Year					Program Year
	2014	2015	2016	2017	2018	2019
Olympic Reference Margin Calculation						
All Farm Operations						
Production Margin (Schedule 4)	\$646,387	\$656,026	\$461,540	\$58,960	\$459,365	\$155,781
Your Share of Farm Operations						
Production Margin	\$646,387	\$656,026	\$461,540	\$58,960	\$459,365	\$155,781
Structural Change Adjustment	\$202,966	\$71,966	\$176,862	\$3,602	(\$7,671)	
Adjusted Production Margin	\$849,353	\$727,992	\$638,403	\$62,563	\$451,693	
Olympic Reference Margin						A \$606,029
Reference Margin Limit Calculation						
Expense Margin	\$291,406	\$130,025	\$150,983	\$136,203	\$220,173	\$245,283
Expense Structural Change	(\$127,374)	\$12,820	\$50,579	\$15,772	(\$4,646)	
Adjusted Expense Margin	\$164,033	\$142,845	\$201,562	\$151,975	\$215,527	
Reference Margin Limit*						B \$186,645
* Your margin is subject to limiting if B is less than A						
Adjusted Reference Margin Limit Calculation						
Olympic Reference Margin (A)		\$606,029				
Adjusted Reference Margin Limit %		70%				
Adjusted Reference Margin Limit**						C \$424,221
**Participant reference margin shall not be reduced by more than 30%						
Applied Reference Margin***						\$424,221

***Applied Reference Margin is the lower of A and B but shall not be lower than Adjusted Reference Margin Limit C