

AgriStability

Program Handbook

Effective for Program Years 2018 and 2019
A federal-provincial-territorial initiative

WHOLE FARM
PROTECTION



UNIQUE
COVERAGE



AGRISTABILITY
GIVES YOU

AFFORDABLE
COVERAGE



PAYMENTS IN
TIMES OF
FINANCIAL DISTRESS



ACCESS TO OTHER CREDIT
OPTIONS AND PROGRAMS

P: 1.877.899.AFSC (2372)

F: 403.782.8348 or 1.855.700.AFSC (2372)

E: info@afsc.ca

W: www.afsc.ca

eForms: myAFSC.ca

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The Canadian Agricultural Partnership (CAP) Agreement, CAP AgriStability Program Guidelines, and this Handbook, determine how CAP AgriStability is administered in Alberta. Any inconsistencies between this Handbook and the Guidelines shall be resolved in favour of the Guidelines. Definitions for Program terms found in this Handbook are located in the Program Guidelines at www.afsc.ca.

What is AgriStability?

AgriStability is one program in a suite of Business Risk Management (BRM) Programs that governments offer to help producers manage significant risks. Other programs in the suite include AgriInvest, AgriInsurance and AgriRecovery.

The purpose of the AgriStability Program is to provide Canadian agricultural producers with an ongoing whole-farm risk management tool that provides protection against large declines in farming income that threaten the viability of their farm and are beyond their capacity to manage.

Why choose AgriStability?

- **Whole farm protection** – AgriStability protects your farm income based on all of your commodities.
- **Unique coverage** – Your coverage is based on your own farm history.
- **Payments in times of financial distress** – Provides assistance to producers who experience margin declines greater than 30 per cent due to production loss, adverse market conditions and increased costs.
- **Access to other credit options and programs** – AgriStability can give you access to credit options such as the Advance Payments Program (APP), which provides cash advances through various farm commodity organizations.
- **Affordable coverage** – AgriStability is a low cost risk management program available to all producers.

What do the changes to CAP AgriStability include?

- Reference Margin Limit may be adjusted to ensure a more equitable level of support
- Simplified participation
- Benefits must calculate to \$250 or greater to be received by Participants
- Late participation*

* Late participation will only be offered in Program Years that have experienced a significant agricultural disaster, whereby both the federal and provincial governments have agreed jointly to extend the deadline for participation. This provision will include a 20 per cent penalty on any benefits.

Program participation

Joining the Program

To become a Participant in the Program, submit a written request to AFSC by the enrolment notice deadline, April 30 of the Program Year you wish to participate. Upon notifying AFSC of the intention to participate, new Participants will be asked for production information so that an Enrolment/Fee Notice can be issued.

To maintain eligibility in the Program, existing Participants are required to pay the fees and submit Program information by the prescribed deadlines. For additional information refer to the Deadlines section of this Handbook.

AFSC now has a Projected Reference Margin Calculator available. This tool allows Participants to more accurately estimate what their Reference Margin will be for a given Program Year. To access the calculator, visit our website at www.afsc.ca.

New for CAP

Simplified Participation

Simplified participation includes reduced information requirements for both the issuance of fees and the calculation of benefits for new Participants.

Fees will be calculated using industry benchmarks and projected current year production unless a contribution reference margin is available to AFSC.

Producers who have not participated in AgriStability for 4 years preceding the Program Year have the option to provide either 3 or 5 years of tax and accrual information to create their reference margin.

AFSC will continue to use 5 years to create reference margins whenever such information is available.

AFSC considers a producer to have participated in the Program if they have met all of the eligibility requirements as listed in the General Eligibility Requirements section of this Handbook.



Related Resources: AFSC Technical Information Circular #10 – Simplified Participation (see www.afsc.ca)





General eligibility requirements

All of the following conditions must be met to be eligible for a Program Year:

- a. Carried on the business of farming in Canada
- b. Conducted a minimum of six consecutive months of farming activity
- c. Completed a Production Cycle (see below)
- d. Reported farming income (loss) for income tax purposes to the Canada Revenue Agency (CRA)
- e. Met all Program requirements by the deadlines established by AFSC

A Production Cycle includes one or more of the following activities:

- The growing and harvesting of a crop
- The process of rearing livestock, such as the calving of cows or farrowing of sows
- The purchase and/or sale of livestock in the case of feeding and finishing enterprises

Other eligibility information

Eligible Participants include individuals farming as sole proprietors or within a partnership, corporations, trusts, co-operatives, communal organizations and limited partnerships.

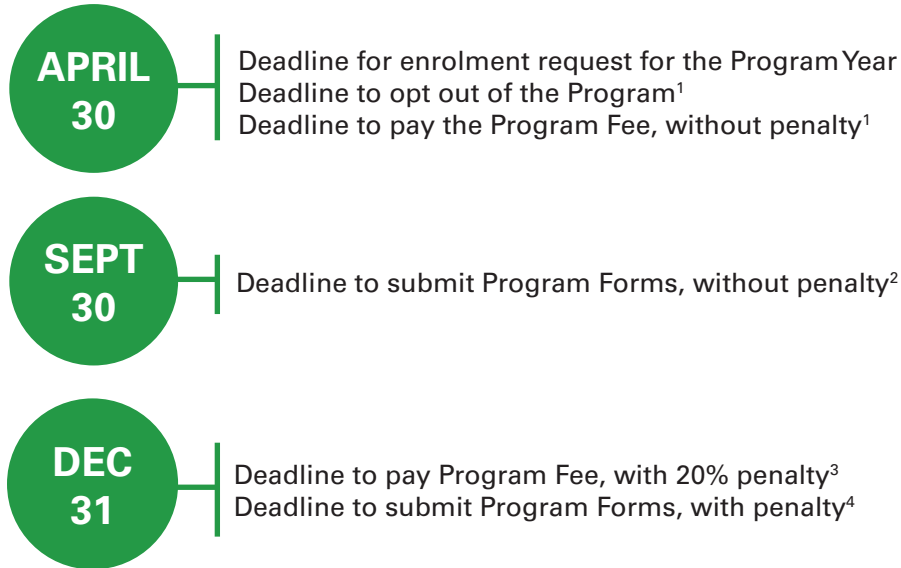
Landlords, including crop and livestock production share, are only eligible to the extent that they share proportionately in both the income and expenses, as a joint venture arrangement.

Participants are eligible to participate in the Program based on the Province of Main Farmstead. Participants may participate in the Program in one province only.

Status Indians who carry on the business of farming on a reserve in Canada and who are exempt under the federal *Indian Act* from filing income tax returns are considered eligible provided they submit information that would have otherwise been reported for tax purposes for the Program Year and the reference years based on the requirements of the *Income Tax Act*.

*Related Resources: AgriStability Program Guidelines – Part 1 Eligibility
(see www.afsc.ca)*

Deadlines



¹ The later of 30 days after the issuance of the Enrolment/Fee Notice or April 30.

² Program Forms submitted after the September 30th deadline will have their final AgriStability benefit reduced by \$500 per month to a maximum of \$1,500. If no benefit is calculated, no penalty will be applied.

³ The later of 60 days after the issuance of the Enrolment/Fee Notice or December 31.

⁴ Participants who submit their Supplementary Forms more than three (3) months past the September 30 deadline will become ineligible for that Program Year.

Program Forms include both Supplementary Forms and tax information - see Annual Filing Requirements section for additional information.

Other deadline information

If a Participant does not pay the Program Fee by December 31 (or 60 days after the issuance of their Enrolment/Fee Notice, whichever is later), they will become ineligible to participate in that Program Year. Any outstanding fees along with the 20 per cent penalty are still payable.

Forms and fee payments must be received by AFSC by the deadline, or postmarked on or before that date. If the deadline is on a Saturday, Sunday or statutory holiday, the Participant has until next business day to meet the deadline.

Deadline requirements may be waived under extenuating circumstances upon written request of the Participant. Requests should be directed to the Manager of Processing and Verification.





Annual filing requirements

For each Program Year, a Participant must submit completed Supplementary Forms and tax information to AFSC by the deadline. For more information on how to complete the Supplementary Forms refer to the Supplementary Forms Guide at www.afsc.ca.

Individuals:

- T1163 Statement A – AgriStability and AgriInvest Programs Information and Statement of Farming Activities.
- T1163's filed to the CRA will be forwarded to AFSC.

Corporations:

- T2 Schedule 1 – as filed to the CRA
- Full financial statements including notes
- Statement A – Alberta Corporations/Co-operatives/ Other Entities*
- Other tax documents – as requested by AFSC

*Note: The Statement A Net farming income (loss), line 9946, must match the Net income (loss) for income tax purposes. An Accrual to Tax Worksheet may also be requested.

NEW FOR 2018

IMPORTANT!
Tax information must be supplied on a Statement A for all corporations.

Information for accrual filers

Participants who file their taxes to the CRA on the accrual basis are still required to file Supplementary Forms to AFSC.

- Completed Schedules 2 and 3 are required at a minimum and, if necessary, any information that may be applicable for Schedule 1a, 1b and 1c for amounts that are not included in the financial statement accruals.
- Inventory changes related to breeding stock included on Schedule 3 will be adjusted to reflect the hybrid inventory adjustment methodology, i.e. change in quantity multiplied by price at the end of the year.
- The Participant may be asked to provide inventory working papers to support the amounts reported as opening and closing inventory on their financial statements.

DID YOU KNOW?

Participants must submit their tax information to AFSC using the same method as filed to CRA (i.e. cash basis or accrual basis). Information on how to allocate cash basis T2 Schedule 1 adjustments can be found on the Corporate Accrual to Tax Conversion Worksheet - now available on our website at www.afsc.ca.

How to file Program Forms

AFSC has several ways to submit Program information:



Email:
info@afsc.ca



In person:
Information can be
dropped off at any
AFSC branch office



Fax:
403.782.8348 or
1.855.700.AFSC (2372)



Mail:
5718 56 Avenue
Lacombe, AB T4L 1B1



File your forms online with AFSC Connect

New

AFSC has added a new feature to AFSC Connect. Producers and Authorized Representatives can now complete their Supplementary Forms online from any device, while corporations can complete their tax and Supplementary Forms.

NEW File your Supplementary Forms

NEW File Corporate Tax Information (Statement A) and submit Corporate Financial Statements and T2 Schedule 1

Go to www.afsc.ca and click on the **Login** button. Scroll down for more information.

Program Fees

The annual Program Fee is calculated at 0.45 per cent of the Contribution Reference Margin multiplied by 70 per cent. This results in an approximate fee of \$315 for every \$100,000 of Reference Margin. The minimum AgriStability Program Fee is \$45. In addition to the Program Fee, an Administrative Cost Share (ACS) fee of \$55 is payable to cover a portion of Program administrative costs.

Program Year Fee Example:

	Year 1	Year 2	Year 3	Year 4	Year 5
Adjusted Production Margins	\$100,000	\$117,000	\$130,000	\$113,000	\$95,000
	Selected	Selected	High	Selected	Low
	✓	✓	x	✓	x
Contribution Reference Margin	\$110,000		= (\$100,000 + \$117,000 + \$113,000)/3		
Program Fee = 0.45%	0.45%				
Subtotal	495.00				
Coverage	x 70%				
AgriStability Program Fee	346.50				
ACS Fee	55.00				
Total Program Year Fees	\$401.50				

DID YOU KNOW?

Fees are based on reference margin information from a Program Year that is two years prior to the current year, known as the Contribution Reference Margin. For example, 2018 Program Year fees are calculated using 2016 reference margin information

Opting out of the Program

A Participant may opt out of the Program upon written notice to AFSC. Written notice must be received by the enrolment notice deadline, April 30 of the Program Year you wish to opt out. A Participant will be ineligible for benefits for the Program Year in which the opt out occurs.

Opt out forms are available on our website at www.afsc.ca.



IMPORTANT!

If a Participant does not opt out by the April 30 enrolment deadline, they will still be required to pay all fees and applicable penalties for that Program Year.

Opting out and how that impacts other Programs

AFSC collects and submits corporate tax data to Agriculture and Agri-Food Canada (AAFC) for purposes of the AgrilInvest Program. Corporations that still wish to participate in the AgrilInvest Program must continue to submit their tax information to AFSC by the applicable deadline. If a Participant is participating in AgrilInvest only, then they should clearly write “AgrilInvest Only” on the top of the first page of their Statement A. There is no requirement to submit financial statements or T2 Schedule 1.

Individuals who file their taxes to the CRA on a T1163 Statement A will have their information sent to the AgrilInvest Administration directly from the CRA.

Opting out of AgriStability may affect eligibility for the Advance Payments Program (APP), also known as the Cash Advance Program; check with your APP administrator prior to opting out.

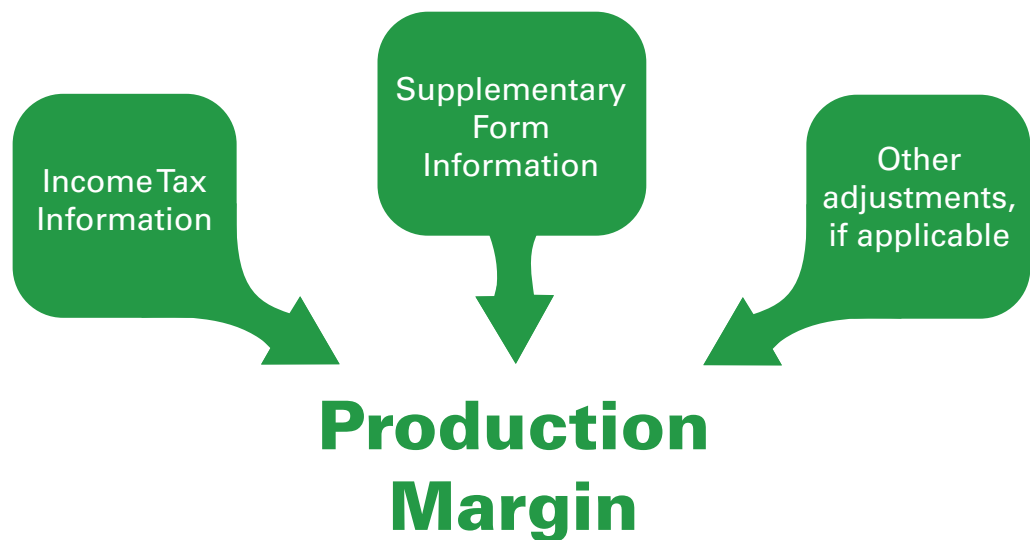


How the Program works

Production Margins

AgriStability Program benefits are calculated by comparing a Participant's current year financial information to historical years to determine if there has been a shortfall.

For all years, whether current or historical, a Production Margin is calculated using tax and Supplementary Form information supplied by the Participant. AgriStability allowable income less allowable expenses as reported for tax is the starting point. This net margin, which is usually cash basis, is adjusted to include accrual information from the Supplementary Forms and if applicable, other margin adjustments as determined by the Administrator.



Supplementary Form adjustments include accounts receivable and deferred income, accounts payable, purchased inputs and crop and livestock inventories. Crop and livestock inventories are valued using hybrid inventory valuation method.

Related Resources: AFSC Technical Information Circular #4 – Hybrid Accrual Margins, #5 – Stub Periods and #8 – Inventory Valuation (see www.afsc.ca)

WHAT BEGINNING FARMERS NEED TO KNOW...

AFSC may establish Production Margins based on a Participant's farming operation for any of the three years immediately prior to the Program year by multiplying the farm's productive units by industry average income/expense information.

Allowable income and expenses

Allowable income is generally limited to the sale of agricultural commodities and production insurance payments. Allowable expense items are generally limited to input costs directly related to the production of agricultural commodities. The income and expenses, as reported to CRA, that are considered allowable for the Program include, but are not limited to, the following:

Allowable Income

- Agricultural commodity sales
- AgrilInsurance proceeds
- Canadian Food Inspection Agency (CFIA)
- Commodity future gains
- Custom feeding*
- Insurance and other proceeds for allowable income and expense items
- Rebates for allowable expenses
- Specified program payments**
- Wildlife damage compensation

Allowable Expenses

- Agricultural commodity purchases
- AgrilInsurance premiums
- Commissions and levies (related to commodity sales)
- Commodity future losses/ transaction fees
- Containers and twine
- Custom feeding*
- Electricity
- Fertilizer and lime
- Freight and shipping (to and from market)
- Heating fuel
- Machinery (gasoline, diesel fuel, oil)
- Minerals and salts
- Other insurance/premiums for allowable income and expense items
- Pesticides
- Point of sale adjustments
- Prepared feed
- Salaries (arms length as defined by CRA)
- Storage/drying
- Veterinary fees, medicine, breeding fees

Related Resources: AFSC Technical Information Circular #3 – Allowable vs Non Allowable and Part 4 of the AgriStability Program Guidelines (see www.afsc.ca)

**Custom feedlot income and expenses are allowable if the feedlot makes an appreciable contribution to the growth and maturity of the livestock. For example in the case of cattle, the animals must be fed for more than 60 days or have an average gain of at least 90 kgs (200 lbs).*

***To determine whether or not to include a Program payment in allowable income in the Program Year and/or Reference Period, Participants reporting tax in Alberta should refer to the Canada Revenue Agency's RC4060 Farming Income and the AgriStability and AgriInvest Program Guide.*






Structural Change

Structural Change assessments are a routine part of the annual Program Year benefit calculation. If applied, Structural Change adjustments are intended to adjust historical Production Margins to reflect changes in a Participant's current farming operation. Typically these adjustments result from a change in the size of the farm or the commodities being produced. In situations where productive units have not had a material change, structural change adjustments will not be applied.

As an example: Producer A normally seeds 1,000 acres but has decided to rent additional land and now seeds 2,000 acres. The income and expense structure on a 1,000 acre farm compared to a 2,000 acre farm is very different and Producer A's historical margins would need to be adjusted to reflect this change.

A copy of your Structural Change calculation can be provided upon request by calling our Client Contact Centre.



Structural Change adjustments can both increase or decrease historical Production Margins. Applying these adjustments ensures that a Participant's historical margins are more accurately reflected based on any changes to their farming operation in the Program Year.

Related Resources: AFSC Technical Information Circular #6 – Structural Change and Part 4 of the AgriStability Program Guidelines (see www.afsc.ca)

Calculation of Program benefits

The margins used to calculate Program benefits for a Program Year are the Applied Reference Margin and the Program Year Margin. The Applied Reference Margin is the lower of the Olympic Average Reference Margin and the Reference Margin Limit. The Program Year Margin is the Production Margin for the current year. The examples below illustrate how yearly production margins are used to calculate Program benefits.

STEP 1: Calculate the Olympic Average Reference Margin

The Olympic Average Reference Margin is calculated by dropping the highest and lowest adjusted Production Margins in the 5 years prior to the Program Year and averaging the remaining 3 years.

	Year 1	Year 2	Year 3	Year 4	Year 5	Program Year
Adjusted Production Margins	\$250,000	\$220,000	\$215,000	\$141,000	\$195,000	-\$10,000
High Year		✓	✓	Low Year	✓	
Average used for Reference Margin						\$210,000

STEP 2: Calculate the Reference Margin Limit (RML)

The Reference Margin Limit is the average allowable adjusted expenses for the same three years used to calculate the Olympic Average Reference Margin.

	Year 1	Year 2	Year 3	Year 4	Year 5	Program Year
Adjusted Expenses	\$120,000	\$126,500	\$129,000	\$125,000	\$124,000	\$122,000
	x	✓	✓	x	✓	
Average used for Reference Margin Limit						\$126,500

Adjusted expenses = allowable expenses adjusted for accounts payable and purchased inputs

STEP 3: Determine the Applied Reference Margin

The Applied Reference Margin is the lower of the Reference Margin and the Reference Margin Limit. If the Reference Margin Limit is less than 70% of the Reference Margin, the limit will be adjusted to 70% of the Olympic Average Reference Margin.

Average used for Reference Margin	\$210,000
Average used for Reference Margin Limit	\$126,500
Adjusted Reference Margin Limit (70% of Olympic)	\$147,000
APPLIED REFERENCE MARGIN	\$147,000

NEW FOR CAP
Minimum Reference Margin guaranteed

Program Year Benefit Calculation

Provided that a Participant has met all of the Program eligibility requirements, benefits are paid at \$0.70 on the dollar for every dollar drop that is below 70 per cent of the Applied Reference Margin.

STEP 4: Calculate Program benefits

Applied Reference Margin	\$147,000		
Benefit Trigger Level (70% of Applied Reference Margin)	\$102,900		
Program Year Margin	-\$10,000		
Margin decline eligible for benefits	\$112,900		
			Benefit
Positive margin decline > 30%	\$102,900	70%	\$72,030
Negative margin decline	\$10,000	70%	\$7,000
TOTALS	\$112,900		\$79,030

Benefits must calculate to \$250 or greater to be received by Participants.
The maximum benefit per Participant is \$3,000,000.

When an AgriStability claim is completed, the Participant will receive a Calculation of Program Benefits package. Participants should review the information in the package for accuracy. If an amendment is required, refer to the Revisions and Amendments section of this Handbook.

Other information about Program benefits

Participants may be combined by AFSC to determine Program benefits if it is determined that they are operating as a whole farm. Participants who are combined will have the benefit cap of \$3,000,000 applied to the combined operation. Each Participant will have their benefit determined by the per cent of the whole farm interest held at the end of the Program Year.

Beginning farmers with less than five years of tax and supplementary information will have their Applied Reference Margin calculated using the three years immediately preceding the Program Year until such time that there are five years available to calculate an Olympic Average Reference Margin.

If the Applied Reference Margin is negative and more than one of the three selected years is negative, the Participant's claim will not be eligible for that Program Year.

Participants who did not participate in an AFSC Administered AgriInsurance program at the minimum level (70% coverage) for an insurable commodity, will have their negative decline benefit amount reduced by 70% of the deemed production insurance benefit calculated for that commodity, based on information provided by AgriStability.

Related Resources: AFSC Technical Information Circular #7 – Reference Margin Limit and Parts 3 and 4 of the AgriStability Program Guidelines (see www.afsc.ca).

Interim benefit calculation

Interim benefit calculations give Participants the option to receive an advance payment prior to the end of their Program Year in situations where they have suffered large income declines.

A Participant may apply for an interim benefit upon completing 6 months of farming and up to 90 days after the completion of their Program Year.

To reduce the risk of overpayment, benefits are paid at 50 per cent of an estimated final benefit and benefits are limited to positive margin declines only; no payment of benefits on negative margins. Any interim benefits received will reduce final Program benefits for that Program Year.

Participants who submit an interim application and receive benefits must submit a final application by the required deadlines. Failure to do so will result in a full overpayment of interim benefits.

For additional information about how to apply for an interim benefit refer to the Interim Application and Interim Guide available on our website at www.afsc.ca.

Late Participation

Late participation may only be provided in Program Years that have experienced a significant agricultural disaster, whereby both the federal and provincial governments have agreed jointly to extend the deadline for participation.

This change does not allow for late participation due to a disaster on an individual farm, only in special circumstances (industry wide or province-wide disaster).

Late Participants must comply with all Program requirements and deadlines.

Payments to Late Participants, including interims, will be reduced by 20 per cent prior to applying any other deductions or penalties.

Related Resources: AgriStability Program Guidelines Part 3.7 and Annex D (see www.afsc.ca)





Revisions and Amendments

- A Participant may request, in writing, an adjustment to information pertaining to the Program Year and its related benefits within 18 months following issuance of the original Calculation of Program Benefits statement. Adjustments requested after this time may not result in any changes to benefits for the Program Year.
- A Participant may request, in writing, an adjustment to amended information within 90 days following issuance of an amended Calculation of Program Benefits statement.
- All adjustments require supporting documentation and are subject to verification, audit and/or inspection by AFSC.
- The Participant must inform AFSC within 30 days of the discovery of any changes or errors in the information provided, including amendments or reassessments by the CRA of income tax information.
- AFSC is not responsible for notifying Participants or the CRA of incorrect tax reporting.
- The Administrator may initiate adjustments to information used in calculating Program benefits for a Program Year (including information used in calculating the Reference Margin for that Program Year) for up to six years after notification of the original Calculation of Program Benefits for that Program Year.
- Participants will be required to repay any overpayment of benefits to AFSC. Interest will commence 30 days after the date of notification of overpayment is issued. The interest rate used is the CIBC prime rate plus 2 per cent per annum.

Related Resources: AFSC Technical Information Circular #1 – Information on Reprocessing Claims (see www.afsc.ca)

Appeals

A Participant who is of the opinion that Program rules were not correctly applied in the processing of their Program Year file may request a review by the Administrator. The Administrator may refer matters raised by Participants to an Appeals Committee.

Appeals shall be subject to a deadline of 90 days from the date that the Participant is notified by AFSC of the decision which is subject to appeal. Appeals must be submitted in writing to:

AgriStability Appeal Committee
c/o AFSC
5718 56 Avenue
Lacombe, Alberta T4L 1B1

The written appeal must:

- a. Clearly identify the nature of the appeal
- b. Provide sufficient information and documentation to substantiate the appeal,
and
- c. Specify the remedy being sought

The AgriStability Appeal Committee must make recommendations in accordance with the agreements and legislation governing AgriStability.





Other BRM Programs and AFSC Products

AgriInsurance

AFSC provides cost-shared production based and area based insurance covering a variety of commodities.

AgriInvest

AgriInvest is a matching deposit-based Program for Participants who face small margin declines. The Program is administered by the Agriculture and Agri-Food Canada (AAFC). AgriInvest funds, including the government contribution, can be withdrawn at any time with no pre-existing withdrawal requirements. The Program is simple, responsive, predictable, and bankable. AFSC collects tax information for corporations, cooperatives and other entities and forwards this information to AAFC for the AgriInvest Program.

AgriRecovery

AgriRecovery is a disaster relief framework to help Participants with the cost of activities necessary for recovery following natural disaster events. The Program must be declared jointly by the federal and provincial governments. AgriRecovery is intended to respond in situations where Participants do not have the capacity to cover the extraordinary costs, even with the assistance available from other programs.

Western Livestock Price Insurance Program (WLPIP)

WLPIP is a risk management tool available in British Columbia, Alberta, Saskatchewan and Manitoba. WLPIP provides producers with protection against an unexpected drop in prices for cattle and hogs over a defined period of time.

Lending

AFSC supports primary agricultural producers, agribusinesses and commercial enterprises in Alberta through its lending programs. These programs address the needs of Alberta's entrepreneurs while promoting rural development.

For additional information about the Programs available at AFSC visit our website at www.afsc.ca.

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