

## Technical Information Circular # 4

### HYBRID ACCRUAL MARGINS

#### Hybrid Accrual Margins

The Hybrid Accrual Margin calculation includes the following:

- Income and expense information as reported to the Canada Revenue Agency (CRA);
- Adjustments for changes in deferred income and receivables, unpaid expenses and purchased inputs/prepaid expenses as reported on AgriStability Supplementary Forms, if applicable; and
- Adjustments for changes in inventories using the hybrid inventory adjustment, as described below.

Hybrid accrual margins are calculated as above for both the Program Year and Reference Years with two exceptions:

1. Participants who have elected the Optional Reference Margin (ORM) and report tax to CRA on a cash basis, will not have accrual adjustments included in the Reference Margin calculation.
2. Participants who report tax to CRA on an accrual basis, will use their accrued financial statement information, as reported for tax, subject to the hybrid inventory adjustment, see additional information below.

#### Hybrid Inventory Adjustment

The Hybrid Inventory Adjustment calculation is 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 exceptions:

1. 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).
2. Starting in the 2026 Program Year, Significant Intermediate Feed Commodity inventories, hereafter referred to as eligible feed commodity inventories, with expected end use of feed, 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).

#### Eligible Feed Commodity Inventories – 2026 Program Year Forward

##### Existing Participants

Existing participants have the option to self-report eligible feed inventories in the Reference Years. Doing so will allow for the Hybrid Inventory Adjustment to be applied to the Reference Years, in the same manner as the Program Year is reported. To self-report, use the Historical Eligible Feed Inventory Form available at [www.afsc.ca](http://www.afsc.ca). Reference Year adjustments for eligible feed inventories will be accepted for the 2026 Program Year only, up to 18 months after the issuance of the original Calculation of Program Benefits. Once restated, the Reference Margin adjustments will be permanent.



If an existing participant does not file Supplementary Forms in a Program Year, they will be required to provide eligible feed inventory details for all missing Reference Years, upon re-entering the Program.

Participants who have elected the Optional Reference Margin and report tax to CRA on a cash basis are not required to provide historical feed inventories.

### **New or Returning Participants**

New or returning participants, other than participants who have elected the Optional Reference Margin calculation, are required to provide eligible feed inventory details for all Reference Years.

### **Hybrid Accrual Margins and Accrual Tax Reporting**

For participants who report taxes to CRA on an accrual basis, adjustments may be made to their production margins, in the following circumstances:

- If there are amounts related to deferred income and receivables, unpaid expenses or purchased inputs/prepaid expenses that are different than the amounts included in the accrued financial statements and tax, these amounts should be reported to AFSC and they will be included in the calculation of the production margins. For participants that elected ORM, these adjustments would be excluded from their Reference Margin calculation;
- Accrual inventory adjustments related to breeding livestock should be removed and revalued using the P2 pricing; and
- Starting in the 2026 Program Year, accrual inventory adjustments related to eligible feed commodities, with an expected end use as feed, should be removed and revalued using P2 pricing.

**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 Program Year Margin, 4.4.1 Hybrid Inventory Adjustment, 4.5.1 Accrual Adjustments to the Reference Margin and 4.5.1.1 Exception for Significant Intermediate Farm Commodities sections of the AgriStability: Sustainable Canadian Agricultural Partnership - Program Guidelines.

