

Technical Information Circular #6

STRUCTURAL CHANGE

General Information

Structural Change is a change in ownership, business structure, size of operation, farming practices, type of farming activity, method of accounting, moving from one province to another, or any other practice that a participant might undertake that may alter Production Margins. If the AgriStability Program Administrator determines that there has been a significant change in a farming operation's productive capacity or potential for profit as a result of a Structural Change, adjustments will be made to the reference year margins to reflect the change.

Productive Capacity

The following table is a list of examples that the Administration considers to be productive units when calculating Structural Change.

Commodity	Productive Units
Crops	Acres
Forage	Acres
Cow/calf – beef and bison	Calves born
Beef and bison feeders	Eligible animals sold
Hogs	Marketed hogs
Greenhouse	Productive sq. footage
Dairy	HL sold
Poultry	Birds/kg sold
Eggs	Dozen sold
Honey	Productive hives

Note: The above information is to be used as a general guideline only. The Administration may use alternative productive units to establish a reasonable Structural Change. All information provided by applicants is subject to verification and acceptance by the Administrator.

Benchmark per Unit (BPU) Margins

A benchmark per unit (BPU) margin is calculated from commodity specific economic data for a particular region, BPU margins represent the estimated industry return per unit of productive capacity for a commodity, based on the average allowable income and expenses associated with producing that commodity. BPU margins are used in calculating the adjustments to the participant's actual Reference Margin when applying a Structural Change.

Structural Change – Ratio method

The standard Structural Change calculation for the Accrual Adjusted Reference Margin is the ratio method. This method will also be the standard for Participants who elect the Optional Reference Margin calculation and file taxes on an accrual basis. The ratio method is calculated as follows:

1. 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 applicable BPUs in that reference year. The total of all Program Year productive units multiplied by their respective BPUs is commonly referred to as the “*current size margin*”.
2. For each year in the reference period, the number of production units (for each commodity or commodity group) in that Reference Year will be multiplied by the applicable BPUs in that reference year. The total of all Reference Year productive units multiplied by their respective BPU's is commonly referred to as the “*historic size margin*”.
3. The difference between the current size and the historic size margins is divided by the historic size margin. *Current Size Margin (Step 1) – Historic Size Margin (Step 2) / Historic Size Margin (Step 2) = % of change*.
4. The percentage calculated in Step 3 will be multiplied by the actual Production Margin for each reference year to determine the structural adjustment for that reference year. These structural adjustments will be added or subtracted from the Production Margins in **each** reference year to arrive at the adjusted margins.
5. Structural Change will be applied where:
 - a. the unadjusted Reference Margin and the adjusted Reference Margin differ by more than 10% and \$5,000, or
 - b. the difference between the unadjusted Reference Margin and the adjusted Reference Margin is less than \$5,000 but the change is at least 50% of the Reference Margin and the Administrator considers that applying the Structural Change adjustment avoids an anomalous result.
6. If a partnership, considered as a single unit, meets one of the criteria listed in item #5, then the Structural Change adjustment may be applied to any partner whose only participation in the program is through the partnership, even if that partner, considered alone, would not meet either one of these criteria.

EXAMPLE – RATIO METHOD						
	Reference Years					Program Year
	2019	2020	2021	2022	2023	2024
Acres in Reference Year (a)	460	460	480	480	490	
Acres in Current Program Year (b)						640
Per acre BPU for Reference Year(c)	\$140	\$160	\$290	\$220	\$350	
Current size margin (b x c)	\$89,600	\$102,400	\$185,600	\$140,800	\$224,000	
Historic size margin (a x c)	\$64,400	\$73,600	\$139,200	\$105,600	\$171,500	
Difference	\$25,200	\$28,800	\$46,400	\$35,200	\$52,500	
% of change (Difference / historic size margin)	39.13%	39.13%	33.33%	33.33%	30.61%	
Unadjusted year margin (d)	\$75,000	\$95,000	\$140,000	\$125,000	\$165,000	
Unadjusted Reference Margin (e)	<i>(Olympic average: highest and lowest numbers removed)</i>					\$120,000
Structural change adjustment (% of change x d)	\$29,348	\$37,174	\$46,662	\$41,663	\$50,507	
Adjusted Production Margins	\$104,348	\$132,174	\$186,662	\$166,663	\$215,507	
Adjusted Reference Margin (f)	<i>(Olympic average: highest and lowest numbers removed)</i>					\$161,833
Difference in dollar value (f - e)	<i>(Must exceed \$5,000)</i>					\$41,833
Difference in percentage (f - e)/e	<i>(Must exceed 10%)</i>					34.86%

In this example, the Structural Change adjustment meets the criteria of exceeding \$5,000 and 10%.

Note: Where the ratio Structural Change adjustment cannot be calculated or does not accurately reflect the change in the farming operation, alternate methods of calculating the Structural Change may be applied by the Administrator.

Structural Change - Additive

The standard method of Structural Change calculation for Participants that elect the Optional Reference Margin calculation and who file tax on a cash basis, is the additive method. The additive method may also be applied as an alternate Structural Change calculation if the Administrator deems the ratio method calculation to include anomalous results. The additive method is calculated as follows:

1. 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 applicable BPUs in that reference year. The total of all Program Year productive units multiplied by their respective BPUs is commonly referred to as the “*current size margin*”.
2. For each year in the reference period, the number of production units (for each commodity or commodity group) in that Reference Year will be multiplied by the applicable BPUs in that reference year. The total of all Reference Year productive units multiplied by their respective BPU's is commonly referred to as the “*historic size margin*”.
3. The difference between the current size and the historic size margins is the adjustment that will be applied to each Production Margin in the reference period. These structural adjustments will be added or subtracted from the Production Margins in **each** reference year to arrive at the adjusted margins.
4. Structural Change will be applied where:
 - a. the unadjusted Reference Margin and the adjusted Reference Margin differ by more than 10% and \$5,000, or
 - b. the difference between the unadjusted Reference Margin and the adjusted Reference Margin is less than \$5,000 but the change is at least 50% of the Reference Margin and the Administrator considers that applying the Structural Change adjustment avoids an anomalous result.
5. If a partnership, considered as a single unit, meets one of the criteria listed in item #4, then the Structural Change adjustment may be applied to any partner whose only participation in the program is through the partnership, even if that partner, considered alone, would not meet either one of these criteria.

EXAMPLE – ADDITIVE METHOD						
	Reference Years					Program Year
	2019	2020	2021	2022	2023	2024
Acres in Reference Year (a)	460	460	480	480	490	
Acres in Current Program Year (b)						640
Per acre BPU for Reference Year(c)	\$140	\$160	\$290	\$220	\$350	
Current size margin (b x c) = (d)	\$89,600	\$102,400	\$185,600	\$140,800	\$224,000	
Historic size margin (a x c) = (e)	\$64,400	\$73,600	\$139,200	\$105,600	\$171,500	
Difference = Structural Change (d-e) = (f)	\$25,200	\$28,800	\$46,400	\$35,200	\$52,500	
Unadjusted year margin (g)	\$75,000	\$95,000	\$140,000	\$125,000	\$165,000	
Unadjusted Reference Margin (h)	<i>(Olympic average: highest and lowest numbers removed)</i>					\$120,000
Adjusted Production Margins (f + g)	\$100,200	\$123,800	\$186,400	\$160,200	\$217,500	
Adjusted Reference Margin (i)	<i>(Olympic average: highest and lowest numbers removed)</i>					\$156,800
Difference in dollar value (i - h)	<i>(Must exceed \$5,000)</i>					\$36,800
Difference in percentage (i - h)/h	<i>(Must exceed 10%)</i>					30.67%

In this example, the Structural Change adjustment meets the criteria of exceeding \$5,000 and 10%.

Note: Where the additive Structural Change adjustment does not accurately reflect the change in the farming operation, alternate methods of calculating the Structural Change may be applied by the Administrator.

Structural Change (Expenses)

Where the Administrator determines that there has been a significant change in allowable expenses, not supported by a change in the productive units of the operation, and was not as a result of disaster circumstances, a Structural Change adjustment may be applied to the allowable expenses.

Structural Change and Disaster Circumstances

The Structural Change adjustment may be waived by the Administrator in a disaster circumstance. These situations are dealt with on a case-by-case basis to ensure that all relevant factors affecting production in the Program Year are considered. Disaster circumstances include only those events occurring for reasons outside of a Participant's control. They do not include circumstances arising from a Participant's health or business decisions.

In a situation where productive units have been overridden due to disaster circumstances, acres related to crop or forage production will be overridden in all years (both the Program Year and the reference years). Livestock production unit overrides are Program Year only, and the productive units will revert back to as filed on the original application once the disaster year becomes part of the reference period. For all other productive units, the override will be reviewed on a case-by-case basis.

- See section 4.7 Structural Change of the Sustainable Canadian Agricultural Partnership – Program Guidelines.