

Agriculture and Agri-Food Canada AgriStability Agri-Webinar

Questions

March 12, 2025

1. How is the triggering of a benefit payout from AgriStability affected by sequential years of drought or challenging growing conditions? Just thinking of the dry conditions experienced in SW Saskatchewan and Southern Alberta between about 2017 and 2023?

- A. AgriStability uses an Olympic average when calculating a participant's AgriStability reference margin. The Olympic average takes production margins from the past five years, drops the highest and the lowest years, and then averages the remaining three years. So where a participant experiences a single challenging year, it should generally not affect their support under the program (i.e. that year would be dropped out of the average). However, multiple challenging years could potentially result in a lower reference margin as only the lowest year is dropped from the average, leaving the remaining years included.

It is important to understand that there are other business risk management tools that can work together to help mitigate income losses. Programs such as AgrilInsurance help protect producers from production losses and the indemnity payments are included in the calculation of your reference margin which will help preserve your support level under the program.

2. Has Alberta changed filing dates for the 2024 program? AFSC had a webinar last week and said they were going to in the 2025 program year.

- A. The AgriStability program in Alberta is administered by the Agricultural Financial Services Corporation (AFSC) on behalf of the Alberta Ministry of Agriculture, Food and Rural Development. Therefore, any questions or concerns about the program should be addressed to AFSC. Please direct any questions to:

Agriculture Financial Services Corporation
5718-56th Avenue
Lacombe AB T4L 1B1
Toll Free: 1-877-899-2372
Email: Info@afsc.ca

3. Does the tax aligned reference margin also apply in provinces where AAFC does not deliver AgriStability?

- A. Tax-aligned reference margins are optional for provinces to implement. To find out if the tax-aligned reference margin is offered in British Columbia, Alberta, Saskatchewan, Ontario, Quebec or Prince Edward Island, please direct any questions to your provincial administration.

British Columbia Administration
Toll Free: 1-877-343-2767
E-mail: AgriStability@gov.bc.ca

Ontario Administration
Toll Free: 1-888-247-4999
Email: contact@agricorp.com

Alberta Administration
Toll Free: 1-877-899-2372
Email: Info@afsc.ca

Quebec Administration
Toll Free: 1-800-749-3646

Saskatchewan Administration
Toll free: 1.866.270.8450
Email: agristability@scic.ca

Prince Edward Island
Phone: 902-836-0435
Email: AICStability@gov.pe.ca

4. Are non-arm's length salaries/wages still a non-eligible expense? If so, why is it this? Especially when it is a consistent wage throughout the year and for several years.

- A. Non-arm's length salaries are salaries paid to related persons, including individuals connected by blood relationship, marriage or common-law partnership, or adoption and are considered a non-allowable expense under AgriStability. This is because non-arm's length salaries are considered a discretionary expense. This means that producers can often choose when and how much to pay in salaries for people they are related to. As such, salaries paid to related persons are not allowable because they could be used to generate payments.

Another consideration is that allowable expenses are generally included in both the program year margin as well as the reference margins. If non-arm's length salaries were included in the reference margin, it would have the effect of lowering the reference margin and therefore your support level under AgriStability would also be lower.

5. Is there any benefit to participating in the tax aligned reference margin program if you are using the accrual method on your taxes?

- A. Producers who use the accrual method of accounting for tax purposes can still benefit from participating in the tax-aligned reference margin option for AgriStability. While the calculation of your reference margin would generally not change under this option, you would be eligible to receive a coverage notice.

The coverage notice provides an estimate of your reference margin and support level for the current program year, which will help you better determine if you qualify for a benefit. If you believe you would not qualify for a benefit, you don't need to submit a final application.

Note: Accrual filers who have breeding herd and choose to have a tax-aligned reference margin, will no longer have the adjustment for breeding herd applied to your reference years.

6. It seems you're making it easier for producers to file using cash accounting (not having to send 5 yrs historical data), but best practice is accrual accounting – why not help move farmers towards better financial management practices?

- A. One of the common complaints about AgriStability is the complexity of the program. The tax-aligned reference margin was introduced to provide an option to simplify the program, particularly for new or rejoining producers. New and rejoining producers would otherwise be required to supply up to 5 years of income and expenses, along with accrual adjustments such as crops and livestock inventories. Having to provide all that information could deter producers from participating in the program.

7. I have heard (in my area, Edmonton East) that farmers have hardly ever made a claim with this product. Is not crop insurance a more popular choice for immediate benefits in low yield years? What is your estimate of claims made in any given year? Ball park...eg. average crop farmers claim this every ?? 1 out of 20 years??

- A. AgriStability, along with AgriInsurance are business risk management programs that are available to help manage risks that threaten the viability of farms. While AgriInsurance can protect against natural hazards to reduce the financial impact of production or asset losses, AgriStability protects against large declines in farming income not only for production loss but also for increased costs and market conditions. Each producer will have to determine the level of risk they are comfortable with and choose which program or programs they want to participate in.

For AgriStability, in order to trigger a benefit, there must be a large income decline. Your current year production margin (program year margin) must decline more than 30% compared to your historical average (reference margin).

For AgriStability program statistics, such as number of applications received, number of payments or value of payments, please visit our website at

<https://agriculture.canada.ca/en/programs/agristability/resources/service-standard-statistics#a2>

8. Why are contract costs not allowed as expenses in the benefit calculation?

- A. Contract work expenses are a non-allowable expense for AgriStability. This is generally because contract work expenses are comprised of various costs, some of which are non-allowable under the program, such as machinery repairs, depreciation costs, accounting or bookkeeping costs, etc. Further, the program should not influence producer decisions such as buy vs rent vs contract. However, if a producer has contract work receipts that are itemized, the portion of the contract work pertaining to allowable expenses such as fuel, fertilizer or arms length salaries may be reported as allowable expenses providing the contract work is reported consistently from year to year.

9. Why is AgriStability only administered in some provinces/territories and not others?

- A. AgriStability is available in Yukon, Northwest Territories and in all provinces. The federal administration delivers AgriStability in Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador, Yukon and Northwest Territories. All other provinces deliver AgriStability provincially.

10. For wild blueberry farmers that have alternating year crops, how is the structural adjustment applied to the reference margins.

- A. In provinces such as Nova Scotia and New Brunswick, which have a high number of wild blueberry producers, producers would report their blueberries based on the stage of growth. For example, low bush blueberries are broken down into burn/mow/sprout, establishment, mature/full production, primary production and secondary production stages. Each stage has a Benchmark Per Unit (BPU) assigned and the structure change is calculated for each stage reported. Please refer to the presentation to see a structural change calculation example.

11. Are there minimum dollar amounts for claims in both AgriInvest or AgriStability?

- A. Both AgriStability and AgriInvest have a minimum benefit of \$250.

12. Do we have your permissions to use these slide packages for use at meetings and farmer based discussions?

- A. The presentation was made available after the webinars were completed. You are welcome to view the webinar or use the presentation anytime.

13. I missed some of this, so please shut me down if this has already been answered: what is the fundamental difference between AgriStability and AgrilInvest? Do you recommend participation in both programs, or one over the other?

- A. AgriStability and AgrilInvest are both business risk management programs available to producers.

AgriStability is a margin-based program designed to protect your farm from large income declines resulting from production losses, increased costs and market conditions.

AgrilInvest is a self-managed producer-government savings account designed to help you manage small income declines and make investments to manage risk and improve market income. Each year, you can deposit up to 100% of your Allowable Net Sales to your AgrilInvest account and receive a matching government contribution on 1% of your Allowable Net Sales.

The programs are designed to cover different risks. Each producer should assess their farm's risk mitigation needs and choose which program or programs they want to participate in.

14. Following up on the tax-aligned reference margin - Given the detail on how coverage is determined using the tax-aligned method, can I technically calculate what my coverage should be based on the last 5 years of my Statement A's? To me it seems like there are some planning opportunities to determine which method (accrual versus cash) will result in a higher reference margin.

- A. The tax-aligned reference margins simplifies the calculation of the reference margin because it uses the same information you provide to the Canada Revenue Agency (CRA) when filing your farming income (or loss). Producers can choose to participate in tax-aligned reference margins (in provinces and territories where it is offered). Once you choose to participate in tax-aligned reference margins, you will only be permitted to switch to the accrual adjusted method once you have not had an accrual adjusted reference margin calculated in any of the four program years immediately prior to the current program year.

However, new participants who elect to have a tax-aligned reference margin when they first join the program, will be permitted to switch to the accrual adjusted method in any future program year after their first year of participation.

Tax-aligned reference margins could be estimated using the information on your historical Statement A's. However, it would be difficult to estimate any structural change adjustments (if any) that occurred on your farm that might impact your reference margin calculation.

15. I struggle to understand how it easier for cash filers to file with the cash basis filers as the prior year's accrual adjustments are already available (retained by program admin) and those adjustments need to be made each year program year of filing.

- A. The tax-aligned reference margin is simply an option for producers participating in AgriStability. For new or rejoining participants, this means they will not need to submit up to 5 years of accrual reference margin information, which significantly reduces the amount of information they would otherwise need to provide. For existing participants who file their taxes on the cash basis, it's possible that cash reference margins provide a higher support level or are just easier to understand. Regardless of the reasons, the option is there to provide you with an alternative option to the accrual adjusted reference margins.

Another feature of the tax-aligned reference margin is coverage notices. Participants who choose tax-aligned reference margins can request to receive a coverage notice that provides an estimate of your reference margin and support level for the current program year. This information will help you better determine if you qualify for a benefit. If you believe you would not qualify for a benefit, you may choose not to submit a final application.

On-going participants, who opt for a tax-aligned reference margin, may choose not to submit a final application each year if they believe they would not qualify for a benefit. In these cases, the accrual information is not available for the reference margin of a future program year. But with tax-aligned reference margins, the accrual information is not needed since the reference margin is calculated on the cash basis. So, tax-aligned reference margins can also reduce the information burden for on-going participants.

16. What is Agri insurance?

- A. AgriInsurance, formerly known as crop insurance, is a federal-provincial-producer cost-shared insurance program, delivered provincially, that stabilizes your income by

minimizing the economic effects of primarily production losses caused by severe but uncontrollable natural hazards.

17. If you have 2 full time non-arm's length employees and their wage is a non-allowable expense is that not a major disadvantage for that farm and should the participation in AgriStability reconsidered.

- A. Non-arm's length salaries are non-allowable in both the program year and the reference years. That means that while they will not impact your program year (reduce income), they also will not reduce your reference years, which means that your support level will remain higher as it is not impacted by the non-arm's length salaries.

18. Is there any oversight procedures in place to ensure that the provinces administering their own AgriStability are applying program guidelines consistently, province to province?

- A. The federal and provincial administrations meet regularly to discuss the administration of AgriStability in an effort to ensure that program rules are consistently applied across administrations.

19. Forms submission change from Sept to June puts pressure on December year ends to meet the deadline. These filers could end up paying penalties. This is my understanding if so please explain your reasoning again.

- A. Producers can apply for AgriStability shortly after their fiscal year end. Program forms are typically available in February or March.

For the 2024 program year, the deadline to submit your AgriStability program forms will be:

- June 30, 2025 - initial deadline to submit your 2024 forms without penalty
- September 30, 2025 - final deadline to submit your 2024 forms with penalty

Advancing the deadline makes AgriStability more timely by getting payments out earlier. It also allows the administration to gather the information needed to issue coverage notices for participants who have opted into the tax-aligned reference margins. The June deadline also aligns better with the tax filing deadlines.

20. Is it advantageous to have AgriStability, AgriInvest and AgriInsurance for Risk management or participation in 2 out of 3 is best? If 2, which ones are best?

- A. AgriStability, AgriInvest and AgriInsurance are part of the suite of business risk management programs. They are tools to provide agricultural producers with protection

against income and production losses. They help manage risk that threaten the viability of a farm.

Each program offers a form of risk management and producers should look at each one to determine which programs would help manage the risk on their farm. Agriculture and Agri-Food (AAFC) has some examples on their website that show how the programs work together to help manage risk on a farm. I would encourage you to visit their website at <https://agriculture.canada.ca/en/programs/business-risk-management/case-studies>.

21. Can dairy operations benefit from the AgriStability program?

A. Yes, dairy operations are eligible for AgriStability.

22. Due to the diversity of climate within the different physical areas that are covered by the program are they considered when doing the calculations for the program?

A. AgriStability takes into consideration the location of the farming operation when developing fair market values (FMVs) for valuing your crop or livestock inventories and also in the development of benchmark per unit (BPUs) which are used in the calculation of structural change. Both FMVs and BPUs use industry information from the farm's region, where available.

23. How to forecast my current year reference margin

A. Production margins are calculated by subtracting your allowable expenses from your allowable income that you reported to the Canada Revenue Agency (CRA). If you report on the cash basis, you will also need to include changes in your purchased inputs, deferred income, accounts receivable and payable, crop inventory and livestock inventory. However, it would be difficult to estimate any structural change adjustments that may need to be applied to your reference margin.

For your reference margin, you would need to calculate your production margin in each of the reference years and then apply an Olympic average.

The tax-aligned reference margin is an option available to producers which significantly reduces the amount of information needed to calculate the reference margin. With a tax-aligned reference margin, a producer can also request a coverage notice. A coverage notice provides an estimate of your reference margin and support level during the program year rather than after it's completed. This information will help you better determine if you qualify for a benefit. If you believe you would not qualify for a benefit, you may choose not to submit a final application.

Agriculture and Agri-Food Canada (AAFC) has fact sheets available to better understand how AgriStability calculates margins and payments. I encourage you to visit the website at <https://agriculture.canada.ca/en/programs/agristability>.

24. I currently participate in AgriInvest but not AgriStability. It was my impression that as a small (\$500k sales), diversified, organic livestock producer that direct-markets all our products, AgriStability would not fit with our business. Curious if this is true.

- A. AgriStability is a margin based program designed to help producers manage large income declines. If your farming operation could experience large income declines due to things like production loss, increased costs or market conditions, then AgriStability may be a risk management tool you might want to consider.

Agriculture and Agri-Food Canada has some examples on their website that show how the programs work together to help manage risk on a farm. I would encourage you to visit their website at <https://agriculture.canada.ca/en/programs/business-risk-management/case-studies>.

25. I have a small herd of purebred cattle, should I continue to register with AgriStability?

- A. AgriStability is a margin based program designed to help producers manage large income declines. The cost to protect your farm is equal to 0.45% of your contribution reference margin multiplied by the 70% support level. That means you only pay \$3.15 for every \$1,000 of protected reference margin. For example, a farm with \$100k contribution reference margin would only pay a fee of \$315 to participant. The minimum fee is \$45. However, each producer should determine which program or programs would be best to help manage risk on their farms.

26. Can these programs be used to help smaller farms or new businesses get on their feet during tough times?

- A. Yes, these programs are designed to help agricultural producers with protection against income and production losses, helping them manage risks that threaten the viability of their farms. A beginning farmer can enrol in AgriStability in their first year of farming. If you did not farm in the last three years, we will create margins for you using industry averages for any missing years in order to create your reference margin.

27. Why are contracts not allowed as an expense; the agricultural community has been promoting cooperation among farmers for years.

- A. Contract work expenses are a non-allowable expense for AgriStability. This is generally because contract work expenses are comprised of various costs, some of which are non-

allowable under the program, such as machinery repairs, depreciation costs, accounting or bookkeeping costs, etc. Further, the program should not influence producer decisions such as buy vs rent vs contract. However, if a producer has contract work receipts that are itemized, the portion of the contract work pertaining to allowable expenses such as fuel, fertilizer or arms length salaries may be reported as allowable expenses providing the contract work is reported consistently from year to year.

28. What is the number enrolled in each province?

- A. AgriStability is delivered by the federal government in Manitoba, Newfoundland and Labrador, Nova Scotia, New Brunswick, Northwest Territories and Yukon. You can find information regarding things such as the number of producers enrolled in these provinces on the AgriStability website at <https://agriculture.canada.ca/en/programs/agristability/resources/service-standard-statistics#a2>.

29. How will tariffs impact industry

- A. Tariffs may result in an income decline for your farm. AgriStability is a margin based program designed to help producers manage large income declines. If your production margin in the current year falls below your historical reference margin by more than 30%, you may receive an AgriStability benefit, if you are enrolled in AgriStability.

30. Is there funding available to start for individuals and businesses

- A. AgriStability protects Canadian producers against large declines in farming income for reasons such as production loss, increased costs and market conditions.

AgriStability does not provide funding to start up farming operations. It is a tool to manage risk for existing operations.

31. There seems to be no efficiency in the administration of the agri-stability program. Is this managed by a contracted service?

- A. AgriStability is delivered by the federal government in Manitoba, Newfoundland and Labrador, Nova Scotia, New Brunswick, Northwest Territories and Yukon.

AgriStability is delivered provincially in British Columbia, Alberta, Saskatchewan, Ontario, Quebec, and Prince Edward Island.

32. Why does the government insist on continually changing the program? Why can't we have a more stable reliable program that isn't always subject to change?

- A. Governments both consult with and receive feedback on the programs from producers and industry groups. In order to address concerns or to anticipate, mitigate and respond to risks, programs are reviewed and changes may be implemented to address issues or to better respond to challenges.