

Supporting a
vital agricultural sector
Annual Report **2014-15**



Agricorp is a provincial Crown corporation that delivers business risk management programs to Ontario agricultural producers on behalf of the provincial and federal governments. The organization was created under the *AgriCorp Act, 1996* and is classified as an operational enterprise agency under the *Agencies and Appointments Directive, 2015*. The agency model provides flexibility in administration, independent decision making and a robust governance framework to ensure the needs of customers, industry and government are met.

From the field to the boardroom, Agricorp staff and board members combine a wealth of agricultural and agronomic expertise with a broad range of knowledge in finance, risk management, communications, human resources, law and public administration. Many employees have farming backgrounds themselves, bringing a unique perspective and a strong customer focus to our day-to-day operations, technology solutions and ongoing work to improve service and efficiency.

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Our vision

To be a versatile, customer-focused organization that works with partners to innovatively deliver programs and services that enhance the vitality of Ontario agriculture.

What we do

We connect producers with programs.

The agriculture and agri-food industry is a major economic driver in Ontario. It brings \$34 billion to the provincial economy and employs 780,000 people. Beyond economics, Ontario agriculture feeds millions of people at home and abroad. Ontario producers work hard in a volatile and challenging environment to produce safe, high-quality products.

Governments around the world offer agricultural risk management programs to protect global commodities, food supply and the economic engine that is agri-business. Agricorp is proud to deliver these risk management programs in Ontario that help protect producers from business and agricultural risks beyond their control and encourage them to invest and innovate.

The Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and Agriculture and Agri-Food Canada (AAFC) are responsible for program policy, and Agricorp is responsible for program delivery.

Over the years, Agricorp has demonstrated an ability to deliver programs in a cost-effective way, while continuing to improve products and services, deliver new programs and program changes, and provide quality and timely service.

Our mission

We connect producers with programs

We partner to deliver risk management programs that are responsive to the changing needs of agriculture.

Delivery is our strength

We focus on efficient and effective delivery of programs with quality, integrity and transparency.

Customers are our priority

We want to deliver consistently professional services and programs that provide security today while helping our customers manage their risks in the future.

Our people are the foundation of our success

Collaboration and continuous improvement harness our many strengths for a common focus.

We are publicly accountable

Through the prudent expenditure of public funds, we deliver programs on behalf of our agricultural and government partners with consistency, openness and dependability.

Chair's message

On the right track for success



As a farmer myself, I understand the value and vulnerability of the agri-food sector. I also understand the passion farmers have for their work and the impact this sector has on the provincial economy. There are unique risks inherent in agriculture, primarily due to weather, disease, costs and market fluctuations. Despite all our advancements in agronomy, technology and farming practices, these risks are not going away.

The programs Agricorp delivers on behalf of governments help mitigate the risks producers face every day. With a reliable level of income stability in times of loss, producers can make investments that improve their operations, provide jobs and keep communities viable. This is the value of agriculture. This is the value of the business risk management programs delivered by Agricorp.

As I look back over my six-year tenure as chair of Agricorp's board of directors, I am proud of how much we've achieved. When I started in 2009, Agricorp was working to address recommendations in the 2008 value-for-money audit, conducted by the provincial auditor. We've come a long way since then and made meaningful progress in many areas: improved technology infrastructure, faster program decisions, fair and flexible practices for recovering debts, and enhanced services that make it easier for customers to do business with us. The agency has evolved. We've adopted a more modern governance approach entailing regular program reviews, greater discipline around planning and reporting, a more robust risk assessment process and a stronger partnership with OMAFRA.

Throughout it all, we have demonstrated an unwavering commitment to accountability and transparency. Agricorp has been ahead of the curve in terms of compliance with legislation and government directives. Operating with integrity has been a key focus for the organization and this has been recognized by customers year after year.

Our top priority and main focus has been and continues to be earning and maintaining the confidence of our customers, industry partners and government. For 2014–15, the agency's overall strategy as determined by the board was to focus on three directional themes:

- Operational efficiency and effectiveness to demonstrate value for money
- Making it easier to do business with Agricorp for both customers and staff
- Being open for business by keeping programs relevant and reducing the burden on producers.

I can safely say the organization has made great progress in advancing all three objectives. This past year, we implemented a number of recommendations stemming from a series of reviews completed in 2013 at both the program and agency level. Updated AgriStability processes around data collection, underwriting and claims have improved overall efficiency. New procedures and internal structures are leading to a broader organizational view and faster decision-making. While the KPMG benchmarking study conducted in 2013 found Agricorp to be an efficient and effective delivery agent, demonstrating value for money, we are relentless in our pursuit of continuous improvement.

74% of customers

across all programs agree that programs are critical in helping them stabilize their income

We've made it easier for customers to do business with us through enhanced online services, more consistent and familiar program processes, and direct deposit of program payments. Streamlined processes, along with infrastructure and information technology improvements, have also made it easier for staff to deliver programs and serve customers more efficiently.

We are also supporting the province's Open for Business initiative. We shortened and simplified program forms, reducing the burden on producers. And we continued to work closely with industry to enhance program design and delivery, ensuring programs remain relevant and responsive to changing industry needs and practices.

As in the past three years, customer feedback remains very positive. In our annual customer satisfaction survey, customers continue to tell us they are satisfied with Agricorp's delivery of AgriStability, Production Insurance and the Risk Management Program. They also tell us that programs help them, not only when they make a claim but more broadly as business owners. On average, 74 per cent of customers across all programs agree that programs are critical in helping them stabilize their income; 66 per cent feel programs give them the confidence to invest in business improvements. These results demonstrate that customers value risk management programs on many levels.

This kind of success doesn't just happen – it's the result of sustained attention to every interaction and every detail. It involves the collective efforts of everyone at Agricorp from front-line staff on the phone and in the field, to people working behind the scenes in finance, HR, logistics, communications and IT.

I would like to acknowledge the great work of the board and thank them for their service and support. Collectively, our board members bring decades of knowledge and experience. The board has been very effective and continues to evolve. With solid board support and advice, Agricorp's relationship with the ministry has also evolved over the years, from focusing solely on program delivery to helping the ministry achieve its broader objectives like growing the sector, enhancing accountability and balancing the budget.

I would also like to thank CEO, Randy Jackiw, Agricorp's senior management team and all Agricorp employees for their ongoing effort and commitment. The board has helped determine a focused strategic direction and they make it happen. Continuing to deliver on this direction will serve producers, governments and the province well as we go forward.

My work as chair has been a rewarding experience. It has been gratifying to work with such a diverse group, where each board member brings their own unique contributions. I am pleased to have assisted various ministers in fulfilling their roles as minister of agriculture, food and rural affairs in this province. And lastly, I have enjoyed and learned much from working with Randy and his engaged staff. I wish Agricorp the best of luck in the future. I believe you're on the right track for continued success.

Larry Skinner
Chair

Governance

Agricorp is governed by legislation and directives that guide Ontario agencies in the delivery of services to the public. The *AgriCorp Act, 1996*, outlines Agricorp's purpose, powers, mandate and structure. As an agency of the provincial government, Agricorp is responsible for the judicious use of public funds, is publicly accountable and undergoes regular audits by internal, provincial and federal auditors.

Agricorp regularly refines and reviews its governance practices, adapting and strengthening policies and procedures as required to ensure they remain effective. Robust governance and oversight ensure agency objectives are realized, resources are well managed, and the interests of stakeholders are protected and reflected in key decisions.

Why an agency?

Ontario agencies are diverse and may be established for a number of reasons. With significant public interest in a viable and sustainable agriculture industry and shared federal-provincial responsibility for agriculture, Agricorp was created to deliver programs and services to the agricultural industry on behalf of government.

As an agency, Agricorp has organizational flexibility to adapt to the changing needs of industry and government. The board of directors brings experience, knowledge and leadership to their role of governance. Under the board's governance, agency staff leverage their technical expertise and skills to focus on

Board of directors

Board members serve terms of up to three years and may be reappointed. Members are agriculture, business and community leaders, who bring broad experience and invaluable expertise to the organization's oversight. In 2014–15, Agricorp's board of directors consisted of the following members:



Larry Skinner
Chair
Perth County
May 13, 2009 –
May 12, 2015

Larry is a full-time swine farmer who served on the board of Ontario Pork for eight years, three of those as chair. Before he began farming, he worked as an agricultural lender for TD Bank. In addition to his career in agriculture, Larry graduated in May 2013 with a master of divinity degree from the University of Toronto.



David Epp
Vice-chair
Essex County
February 7, 2007 –
June 24, 2014

A third generation farmer and co-owner of Lycoland Farms Ltd., David served 14 years with the Ontario Processing Vegetable Growers Association, two of those as chair. He grows processing vegetables and cash crops.



Rod Stork
Vice-chair
Guelph
January 4, 2011 –
January 3, 2017

Rod has held many roles in his more than 30 years with the Ontario Ministry of Agriculture, Food and Rural Affairs, including chair of the Ontario Farm Products Marketing Commission and director of Economic Development. Following retirement, he served as part-time chair of the Agriculture, Food and Rural Affairs Appeal Tribunal. In 2008 and 2009, he facilitated the grains and oilseeds working group, which led to the formation of Grain Farmers of Ontario.

efficient and effective program delivery while being accountable to government. Agricorp supports government by providing advice on agricultural policy and programs, delivers programs effectively and efficiently, and maintains public confidence by ensuring adherence to all applicable legislation, directives and guidelines. Agricorp is also expected to adjudicate individual files professionally and independently.

Reporting structure

Agricorp’s board of directors and staff work collaboratively with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). Agricorp’s CEO reports to the board of directors and the board chair reports to the minister. The board and its committees play a central role in ensuring government direction and expectations are translated into strategy. They provide direction, oversight and advice to the CEO. OMAFRA staff monitor the agency’s governance and provide advice to the minister as outlined in the Agencies and Appointments Directive, 2015.

Memorandum of understanding

A memorandum of understanding (MOU) defines the relationship between Agricorp and OMAFRA and clarifies expectations and reporting requirements. The MOU establishes the accountability relationships between the minister and the chair of the agency on behalf of the agency. The MOU also outlines the roles and responsibilities of the board of directors, the chair of the board, the CEO, the minister and the deputy minister.

Ethical standards

Agricorp is committed to maintaining the highest ethical standards. The agency follows leading best practices essential to operating the organization ethically and responsibly. Daily activities by all staff are guided by the highest standards of conduct defined in legislation, directives, our mission statement and corporate policies and procedures.

The board is composed of a minimum of five members, appointed by the lieutenant governor in council through an order-in-council, as recommended by the minister of agriculture, food and rural affairs. The board proactively recommends appointments to the minister to ensure the right mix of skills, experience and perspectives to be successful.



William (Bill) Allison
Halton Region
April 30, 2008 –
April 29, 2014

Bill is a field crop producer and former director with the Ontario Federation of Agriculture, past director and chairman of the Ontario Soybean Growers, and a former chair of AGCare. He is a graduate of the University of Guelph.



John Core
Guelph
October 22, 2014 –
October 21, 2017

John is a former CEO of the Canadian Dairy Commission and former chair of the Dairy Farmers of Ontario. His community involvement includes serving as chair of the Guelph General Hospital board of directors and as a member of the Royal Agricultural Winter Fair board of directors. He holds both a master of science and a bachelor of science degree in agriculture from the University of Guelph.



Gino Cozza
Peel Region
August 7, 2013 –
August 6, 2016

Gino is currently director, Investment Banking – Agribusiness, Food & Retail with Maison Placements Canada Inc. His primary focus is working with public and private companies in the agribusiness sector. Gino is also a member of the Produce Marketing Association.

Code of Ethics, Oaths of Office and Allegiance

Agricorp has a comprehensive Code of Ethics and Professional Conduct, outlining the standards of ethical behaviour and responsibility expected of Agricorp employees and board members. All employees and board members sign an annual acknowledgement agreeing to abide by this code. The Oaths of Office and Allegiance for new employees reinforce the serious obligations and responsibilities employees fulfill as members of the public service.

Government directives

Agricorp must comply with provincial government directives that guide agencies in the delivery of services to the public. The Agencies and Appointments Directive, 2015 provides the accountability framework within which Agricorp operates. Specific directives fall under the following three broad categories:

- Business planning and financial management includes directives on delegation of authority, and travel, meal and hospitality expenditures.
- Accountability and governance includes directives on procurement, internal audit and transparency, which includes posting our business plan, memorandum of understanding and expenses on our website.

- Information and information technology management includes directives on privacy and freedom of information.

Other general acts and directives include the *Public Service of Ontario Act, 2006*, the *French Language Services Act*, the *Accessibility for Ontarians with Disabilities Act, 2005*, the *Freedom of Information and Protection of Privacy Act* and the Transfer Payment Accountability Directive.

Board responsibilities

The board follows best practices in corporate governance including continuous development and training, board succession planning, self-assessment, regular in-camera sessions and annual strategy sessions.

The board by-law provides guidelines for board governance and documents the roles and responsibilities of the chair, board members and committees including fiduciary and operational oversight, strategic planning, risk management and controls, legal and ethical conduct, ongoing education and evaluation, and liaison with OMAFRA.

Board of directors (cont'd)



Rosemary Davis
Northumberland
County
May 6, 2009 –
May 5, 2015

An agrologist, Rosemary owns Sunhil Farms Ltd. and Sunhil Investments Ltd., and is a director on the board of the Northumberland Community Futures Development Corporation. She was also the first female chair of the Farm Credit Canada board of directors.



Robert Emerson
Bruce County
June 25, 2008 –
June 24, 2014

Robert has farmed since 1961. He is president and CEO of a feedlot and cash crop operation, and has also served in municipal politics. He has actively served his community as Councillor and Deputy Reeve of Bruce County. In addition, Mr. Emerson has been involved in water and watershed protection initiatives.



Sheryl King
CA, MBA, FICB
Halton Hills
July 17, 2013 –
July 16, 2016

A managing director with the Bank of Montreal, Sheryl has held a series of progressively senior roles with the bank. She is a respected finance professional with 20 years of international experience overseeing management and legal entity reporting, liquidity, funding and balance sheet management.

Board committees

Agricorp’s board committees consider and make recommendations on key areas of board responsibility. Two committees provide oversight and advice to the board in these specific areas.

Finance and Audit Committee

The Finance and Audit Committee focuses on:

- Implementing audit control by developing the annual audit plan, meeting regularly with Ontario Internal Audit, reviewing audit reports and how management responds to audit recommendations (Ontario Internal Audit reports to the Finance and Audit Committee)
- Reviewing and recommending the annual financial attestation audit plan
- Monitoring how management assesses, plans and responds to business and emerging risks
- Overseeing Agricorp’s investment policies for funds such as the Production Insurance Fund and the pension plan fund
- Overseeing the financial reporting process
- Reviewing and recommending board approval of Agricorp’s audited financial statements and the pension plan financial statements

- Overseeing the employee pension fund and Agricorp’s investment management activities, including periodic reviews of the investment policy statements.

Governance and Human Resources Committee

The Governance and Human Resources Committee focuses on:

- Recommending changes to Agricorp’s mandate and role, reviewing and recommending an MOU between the chair and the minister, and annually reviewing and updating corporate governance documents
- Overseeing, reviewing and making recommendations on Agricorp’s total compensation philosophy, policy and program, ensuring compliance with relevant legislation
- Providing advice on criteria and potential candidates for appointment to the board, and monitoring and recommending training and development programs for directors
- Monitoring and recommending improvements to the annual process of assessing board effectiveness, including committees and individual directors
- Recommending appropriate engagement strategies for key stakeholders with whom the board interacts.



Patricia Lorenz
CPA, CA
Toronto
August 7, 2013 –
August 6, 2016

Patricia is both a chartered accountant and a licensed veterinarian. She is currently VP, Commercialization for ZBx Corporation, a Canadian diagnostics company. Patricia has held senior roles in the U.S. in the food manufacturing, software, retail, publishing and distribution industries. Since 2008, she has chaired the board of the Network of Angel Organizations – Ontario, and served as a member on a number of agricultural committees.



Harry Stoddart
Kawartha Lakes
May 30, 2012 –
May 29, 2015

Harry has been involved in agriculture for more than 20 years, owning and operating a successful crop and livestock farm. He also has more than 15 years’ experience as a management consultant with PricewaterhouseCoopers, IBM and his own consulting firm working on key projects in Ontario’s public sector and agri-food industry.



Maria Van Bommel
Strathroy
August 28, 2013 –
August 27, 2016

A former MPP for Lambton-Kent-Middlesex and municipal councillor for East Williams Township, Maria has also been a producer in the pork and poultry sectors. She served as parliamentary assistant to several Ontario ministers, including with the Ontario Ministry of Agriculture, Food and Rural Affairs. Active in the community, Maria has sat on a number of industry boards and legislative standing committees.

CEO's message

Supporting a vital agricultural sector



Agriculture is a volatile industry. Every season, farmers are at the mercy of unpredictable weather, fluctuating markets and other risks beyond their control. Weather was a huge factor again in 2014. Record cold temperatures and snowfall throughout the province meant many crops were affected by winterkill damage, frost and freeze. A wet spring delayed planting and caused many producers to replant, and thousands of acres of corn remained in the field from the previous year.

But farmers are tenacious, resourceful and resilient. By the end of the growing season, most crops and most parts of the province saw average to above-average yields. For the areas and crops that did suffer severe losses, business risk management programs offered much needed stability and gave producers peace of mind throughout the year.

That is precisely why governments offer these programs. At Agricorp, a strong, vital agriculture industry matters to us and we're proud to support it. The programs we deliver play a key role in a farming operation's risk management strategy. Farmers can't control the weather – or the markets – but risk management programs help them offset losses and mitigate risks when weather, markets or other factors aren't favourable. Programs help farmers manage risks and give them the confidence to invest in the future of their farm.

Making it easier to do business with us

We want to make it easier for customers to understand, participate in and benefit from Ontario's risk management programs. That's why excellent customer service is at the root of everything we do, and we are constantly striving to do better. This year, we simplified and shortened program forms, making it easier for customers to report their information. We introduced direct deposit, so customers can receive program payments directly in their bank accounts. We also streamlined our processes to better align with program requirements and create a more consistent, familiar

customer experience. Even in the midst of all this change, we maintained strong performance levels and processing times, demonstrating the responsive and efficient service customers have come to expect.

Improvements in our IT infrastructure – while rarely visible to customers – position us to continually improve customer service and gain efficiencies.

We are strengthening our IT systems in phases, and have completed the first major phase by centralizing customer financial information across programs. For the next phase, we will work to replace our 23-year-old Production Insurance system, enabling us to respond more efficiently and effectively to future program changes and support improved processes in the coming years.

Our call centre handles approximately 127,000 inbound and 35,000 outbound phone calls per year, providing a major service channel for customers. Approximately 84 per cent of customers used our call centre last year and they value this important service. To improve the reliability of this critical service channel, we are in the process of upgrading our telephony system.

Enhancing programs to meet industry needs

In ongoing collaboration with OMAFRA and industry leaders, we strive to keep pace with changes in agriculture and adapt programs to ensure they remain effective and relevant. In 2014–15, we extended the planting dates for winter wheat after research confirmed that varieties had become hardier.

The change allows producers to optimize their planting dates for winter wheat based on factors like weather and soil conditions.

We implemented numerous changes to the Production Insurance forage rainfall plan based on an extensive review conducted with industry in 2013–14. For 2015, we are adding a new enhancement that allows producers to choose up to three rainfall stations to better reflect conditions where their forage is grown. We will also enhance the plans for strawberries and cucumbers, and introduce coverage for flax to address issues with canola in Northern Ontario.

Responding to change

When the province announced support for Ontario beekeepers to deal with high bee losses in 2013, we worked quickly to deliver the Beekeepers Financial Assistance Program. Application forms were mailed within three weeks, more than 300 beekeepers responded and files were processed less than two months after the program was announced. Agricorp's delivery of this program is an important component of the government's Pollinator Health Strategy and we're working closely with our partners on this issue.

Proposed changes to the *Crop Insurance Act* will enable insurance coverage for a wider range of commodities including livestock. We will continue to collaborate with the province, industry and colleagues across the country to address priority concerns, such as hog mortality and overwintering of bees, by developing effective insurance plans where feasible.

Managing responsibly

We take our accountability and integrity very seriously. We manage our business responsibly with an emphasis on fiscal prudence, efficiency and effectiveness. We have worked hard to operate in a way that meets government and public expectations. We comply diligently with government directives and regulations which range from new reporting requirements, procurement and compensation, to anti-spam and accessibility legislation.

89% of customers

said we perform the same as or better than other organizations they deal with.

I believe that we earn our reputation every day and with every transaction. Customers continue to rate us highly in our annual customer satisfaction survey. When Ipsos Reid surveyed 600 customers last year, 89 per cent said we perform the same as or better than other organizations they deal with. Our strongest attributes are operating with the utmost integrity, communicating effectively and doing things right the first time. These kinds of results require hard work and commitment from all of us. Our annual employee engagement survey shows staff are highly committed to customer service. This bodes well for our future.

I would like to thank all the staff at Agricorp and our colleagues at OMAFRA for their hard work and dedication. I thank our board of directors for their knowledge, support and professionalism. And finally, on a personal note, many thanks to departing chair, Larry Skinner for his years of service on the board, and specifically for his wise and thoughtful counsel.

Although the organization is performing admirably, there is much work ahead. I have confidence we are on the right track and well positioned to meet current and future priorities, to continue to deliver results, and to earn the trust and confidence of all those we serve.

Randy Jackiw
Chief Executive Officer

Benefits of participating in the full suite of programs

Risks

Program benefits

Unexpected, large declines in income

AgriStability

Provides protection for farm income as a whole instead of one commodity at a time. AgriStability is an affordable option. Producers get coverage for a low fee of about \$315 for every \$100,000 of reference margin.

Small declines in income

AgriInvest

Helps producers recover from small income shortfalls, or to make investments to reduce farm risk. *Delivered by Agriculture and Agri-Food Canada.*

Low yields and crop losses caused by weather, wildlife, infestation and disease

Production Insurance

Guarantees producers a level of production. Yield, dollar-value or acreage loss plans are available covering more than 90 commercially grown crops.

Fluctuating commodity prices

Risk Management Program

Helps producers offset losses caused by low commodity prices and rising production costs. It's available for grains and oilseeds, cattle, hogs, sheep and veal.

General farm losses or expenses

SDRM: Edible Horticulture

Helps mitigate general risks associated with running a farm business.

Core programs

Ontario is one of the most diverse agricultural regions in the country, producing more than 200 commodities across 12.6 million acres of agricultural land. The Ontario agri-food industry is the second largest contributor to the provincial economy. Agriculture is a key economic driver but also a risky business.

Today's farmers use a range of tools, technology and best farm management practices to maximize profits and minimize risks. But some risks are beyond their control; risks such as weather, disease, market prices and production costs. Agricorp delivers three core business risk management programs designed to help Ontario producers manage the challenges that go hand in hand with farming: AgriStability, Production Insurance and the Risk Management Program (RMP).

AgriStability and Production Insurance are part of the suite of national business risk management programs offered under Growing Forward 2. RMP is unique to Ontario and is funded solely by the province.

Producers see value in the programs. According to our annual customer satisfaction survey, the majority of customers agree that the core programs help stabilize their income despite risks beyond their control, give them the confidence they need to innovate and invest in business improvements, and help them work with lenders to secure the financing needed to operate their business.

How programs work together

Each program covers different risks from weather events to rising production costs and market volatility. Participation in all three core programs ensures producers get maximum coverage for their operations and provides long-term business stability.

Summary of program payments and coverage

Program	Participation	Payments issued	Coverage
AgriStability	15,000	\$47 million	\$2 billion in reference margin (70% coverage with payment cap of \$3 million per participant)
Production Insurance	14,500	\$88 million	\$2.7 billion in liability
Risk Management Program	10,000	\$100 million, including delivery costs	\$100 million in funding for payments and delivery costs

AgriStability by the numbers

15,000

participants in the 2013 program

\$2 billion

in reference margin
(farming income less expenses)

\$47 million

in 2013 program year payments

\$4 million

in future year interim payments
for producers in financial distress

71%

of customers are "satisfied" or
very satisfied" with the delivery of
AgriStability²

62%

of customers agree that it
stabilizes farm income, despite
risks beyond their control²

² Ipsos Reid Loyalty Customer Satisfaction
Survey, conducted January 5-12, 2015

AgriStability



AgriStability provides whole farm protection. Last year, AgriStability provided payments to producers of processing vegetables, tender fruit, grains and oilseeds. Livestock producers who experienced high feed costs also received program payments.

Agricorp delivers AgriStability on behalf of the federal and provincial governments, who fund the program 60:40. AgriStability provides affordable risk management coverage. When producers experience events such as market disruptions, significant production loss, cost escalations or unexpected production costs, AgriStability protects their farm income as a whole instead of one commodity at a time. Payments are based on a reference margin using the farm's own current and historical income. In times of financial distress, producers can apply for an advance on their estimated payment to help with cash flow.

AgriStability highlights

The 2013 program year saw highly variable production between crops, by region, by customer and even from field to field. Depending on the region or commodity, the wet year resulted in crop losses and program benefits. Prices for grains and oilseeds began to decrease close to the harvest in 2013. AgriStability provided payments to producers of processing vegetables, tender fruit, and grains and oilseeds. Livestock producers who experienced high feed costs also received program payments.

Production Insurance



A cool, wet spring delayed planting in much of the province and a wet fall added to the challenge of planting fall-seeded crops and harvesting late-planted crops.

Agricorp delivers Production Insurance on behalf of the federal and provincial governments, who fund 60 per cent of the premiums 60:40. The balance of premiums, 40 per cent, is funded by producers based on a choice of coverage levels and options. Covering more than 90 commercially grown crops in Ontario, Production Insurance compensates Ontario producers for yield reductions and crop losses caused by adverse weather, wildlife, infestation and disease. Depending on the crop insured, coverage and payments are based on a total-yield, dollar-value or acreage-loss basis.

FROM TWITTER

"Hooray for crop insurance! You pay for it hoping you never have to use it, but when you need it you're glad it's there #farm365 @Agricorp"

— Chris Moore @kinbumsheep

Production Insurance highlights

The 2014 crop year saw average to above-average yields for most of the province, with some variability for certain crops and regions. Production Insurance helped producers of peaches, grapes and winter wheat deal with freeze, frost and winterkill damage resulting from the extremely cold winter. Major perils included excessive rainfall, freeze, frost and winterkill damage. Excessive rainfall was the number one peril, resulting in significant reseeded benefits for producers who were forced to replant. The Temiskaming area experienced significant damage to more than 80 per cent of insured acres, with very low yields for corn, soybeans and canola.

Production Insurance by the numbers

14,500

participants in the 2014 program

5 million

acres and \$2.7 billion in liability

75,000 acres

of crops remained in fields at the start of winter, 88% of which was corn

\$88 million

in total approved claims

\$42 million

for excessive rainfall

\$29 million

for freeze, frost and winterkill damage

\$13.3 million

in reseeded claims

\$10.6 million

for grapes, a 20% claim rate well above the five-year average of 4%

\$1.7 million

for peaches, a 38% claim rate that exceeds the historical average of 15%

92%

of customers are "satisfied" or "very satisfied" with the delivery of Production Insurance

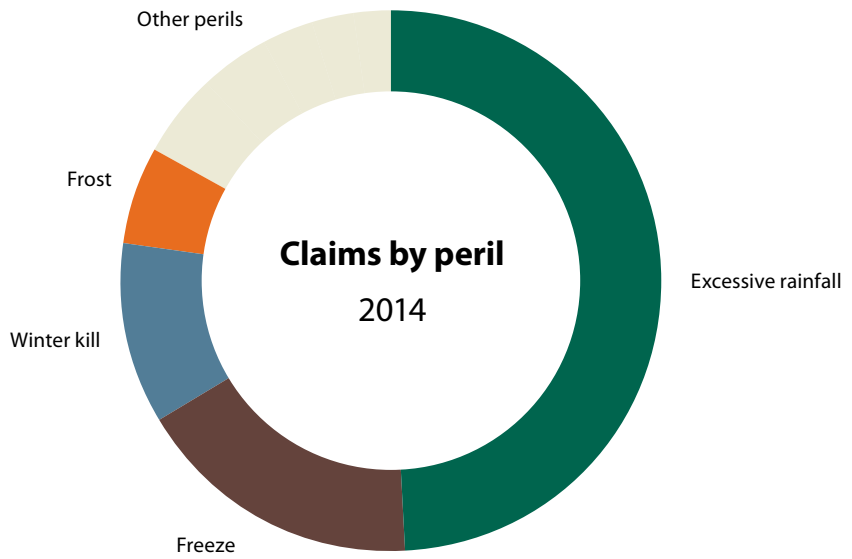
88%

of customers agree that it stabilizes farm income, despite risks beyond their control³

³ Ipsos Reid Loyalty Customer Satisfaction Survey, conducted January 5-12, 2015

Claims by peril

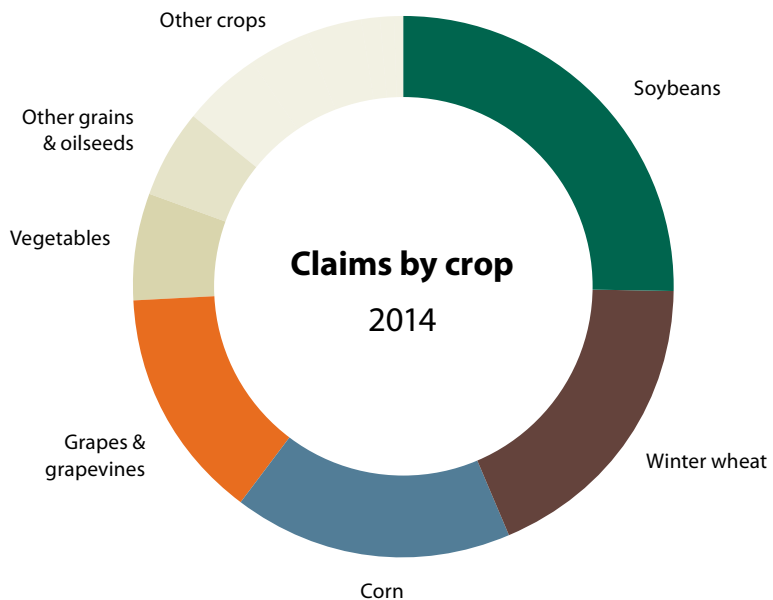
\$42,371,246	Excessive rainfall
\$14,724,014	Freeze
\$9,110,127	Winter kill
\$5,089,681	Frost
\$4,242,509	Excessive moisture
\$3,603,827	Hail
\$2,581,172	Plant disease
\$2,138,296	Other
\$1,843,766	Drought



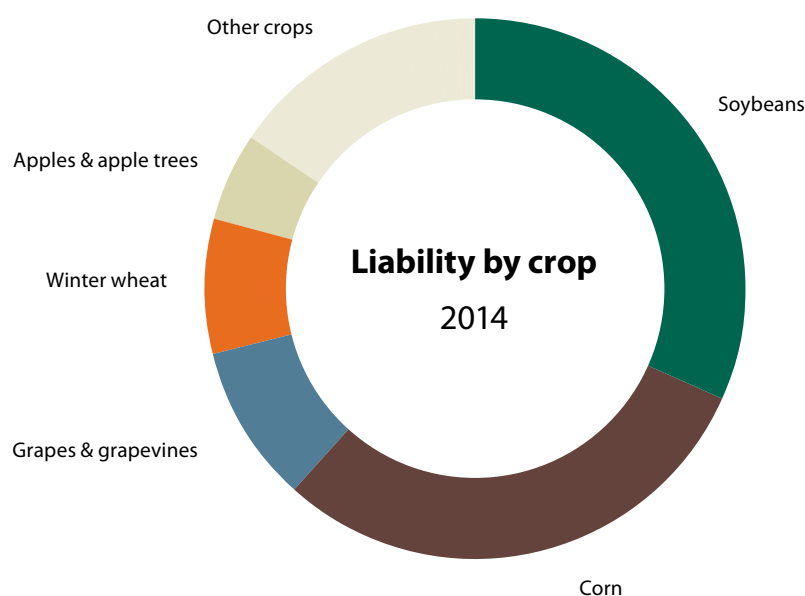
Excessive rainfall was the number one peril accounting for almost half of all claims in 2014.

Claims by crop

\$21,784,463	Soybeans
\$15,821,557	Winter wheat
\$14,190,986	Corn
\$11,825,153	Grapes & grapevines
\$5,501,758	Vegetables
\$4,664,385	Other grains & oilseeds
\$4,040,680	White & coloured beans
\$3,016,093	Apples & apple trees
\$2,786,793	Other fruit
\$990,694	Forage
\$791,159	Tobacco
\$290,917	Other



The highest claims were paid for soybeans, soft red winter wheat, corn and grapes.



Soybeans and corn accounted for the highest liability in 2014 at \$866 million and \$814 million respectively.

Ensuring the sustainability of the Production Insurance program

Production Insurance is designed to compensate insured customers for production losses by issuing claims from the Production Insurance Fund. Agricorp has a comprehensive risk management strategy to manage the fund and the financial risk of the Production Insurance program, especially in years with significant crop loss. The strategy includes actuarially-sound premium rate setting, solid underwriting methodologies and claim processes, a risk-based reinsurance strategy, and fund sustainability targets that are periodically certified by actuaries and comply with federal and provincial regulations and guidelines for Production Insurance.

The approach provides customers with appropriate coverage and stable premiums, while ensuring an adequate reserve of funds for long-term program sustainability. The fund is comprised of customer and government-subsidized premiums, and investment earnings.

Liability by crop

\$865,612,327	Soybeans
\$813,966,645	Corn
\$255,248,712	Grapes & grapevines
\$219,012,918	Winter wheat
\$144,787,014	Apples & apple trees
\$133,481,983	Vegetables
\$89,602,282	Tobacco
\$82,975,735	White & coloured beans
\$52,618,972	Other grains & oilseeds
\$36,749,016	Forage
\$25,133,416	Other fruit
\$1,379,052	Other

RMP by the numbers

10,000

producers enrolled in one or more plans in 2014

\$94.4 million

in program payments paid in 2014–15 under all six plans (excluding delivery costs)

\$10.8 million

in livestock payments

\$52.2 million

in government funds deposited into SDRM accounts

\$31.4 million

for grains and oilseeds

75%

of customers are “satisfied” or “very satisfied” with the delivery of RMP

72%

of customers agree that it stabilizes farm income, despite risks beyond their control⁴

⁴ Ipsos Reid Loyalty Customer Satisfaction Survey, conducted January 5-12, 2015

Risk Management Program

Agricorp delivers Ontario’s Risk Management Program (RMP) on behalf of the provincial government. RMP offers six plans: four for livestock (cattle, hogs, sheep, veal), and one each for edible horticulture, and grains and oilseeds. The program helps producers manage risks beyond their control, like fluctuating costs and market prices. RMP works like insurance. Producers pay premiums based on their enrolled commodity and chosen coverage level. Payments are made if the average market price for a commodity falls below its support level. The self-directed risk management (SDRM) plan for edible horticulture works differently. Producers deposit funds into an SDRM account, and the provincial government adds to their contribution. The maximum contribution is based on the producer’s allowable net sales. Funds may be withdrawn from SDRM accounts to help mitigate risks associated with the farm business.

A total of \$100 million in annual government funding is available for all six plans and includes the cost to deliver the plans. Our ability to keep administrative costs down through efficient program delivery means delivery cost savings are passed on to producers through additional payments. To ensure all producers have fair and equal access to funding regardless of their sales cycle, an interim payment rate is used to calculate payments early in the program year. These rates are adjusted when final payments are made in the following year.

All RMP premiums paid by producers are remitted to OMAFRA and held in the Farmer’s Risk Management Premium Fund, which is overseen by the commodity organizations. This fund is used to provide additional risk management support when needed. See Farmer’s Risk Management Premium Fund on page 22 for more information.

RMP highlights

The 2014 program year saw reduced grain and oilseed commodity prices compared to 2013. RMP benefits helped grain and oilseed producers manage reduced corn, soybean and spring wheat prices. RMP benefits to livestock producers were lower in 2014 compared to 2013 as a result of stronger market prices in the livestock sector.

Other programs

In addition to delivering the three core risk management programs – AgriStability, Production Insurance and the Risk Management Program – Agricorp administers other programs that support the agriculture industry.



Under the Beekeepers Financial Assistance Program, Agricorp issued payments of \$3.1 million.

Beekeepers Financial Assistance Program

This program was initiated due to harsh winter conditions in 2013-14 and other pollinator health issues. It compensates Ontario beekeepers who experience both in-season and overwinter losses, and there was no cost to participate. Announced by the province in April 2014 as a one-time financial assistance program, it was extended for a second program year in 2015. Agricorp delivers the program on behalf of OMAFRA. Ontario beekeepers who have registered at least 10 hives with the provincial apiarist and who have a premises identification number are eligible. Beekeepers who self-report a loss of more than 40 per cent of their total hives may receive a payment on the difference. Lost hives, which are self-reported by beekeepers, are clearly defined in the program guidelines for both overwinter and in-season losses.

44,000 farms
register their business each year

Farm Business Registration (FBR)

The *Farm Registration and Farm Organizations Funding Act, 1993* provides accredited farm organizations with a stable source of operational funding. All farm businesses in Ontario that gross \$7,000 or more annually are required by law to register their farm business with OMAFRA. Producers who register their farm business qualify for a lower property tax rate and become a member of the accredited farm organization of their choice. The data collected through the FBR process helps the government develop sound public policy for Ontario producers. Agricorp manages the registration process on behalf of the ministry by collecting and disbursing registration fees to the accredited farm organization.

In 2014, more than 44,000 farms registered their farm business and were able to choose from three accredited farm organizations: the Ontario Federation of Agriculture, the Christian Farmers Federation of Ontario or the National Farmers Union – Ontario.

Grain Financial Protection Program

Agricorp delivers the Grain Financial Protection Program on behalf of OMAFRA. This program protects the financial interests of producers of grain corn, soybeans, wheat and canola who store their products at licensed elevators or sell it to licensed dealers. When producers sell their grain, a portion of that sale is deposited into an insurance fund managed by the Grain Financial Protection Board. If a grain dealer defaults on payment or a grain elevator defaults on inventory, a producer or the owner of the grain can make a claim against the fund. Agricorp's role is to review and license dealers and elevators to ensure they are viable businesses. Agricorp performs an annual financial analysis of dealers prior to issuing a licence and conducts site inspections to ensure dealers, elevators and their operators are in compliance with the *Grains Act*. Inspections involve assessing grain inventory levels, gathering additional financial information and investigating non-compliance complaints.

In 2014–15, Agricorp licensed 280 dealers and 390 elevators across Ontario.

280 grain
dealers

and 390 elevators across Ontario
were licenced in 2014–15

Orchards and Vineyards Transition Program

Between 2008 and 2010, the Canada-Ontario Orchards and Vineyards Transition Program issued payments of \$18 million to grape, apple and tender fruit producers towards the cost of removing fruit trees and grapevines. Under the program, Agricorp continues to monitor farms that received funds to ensure they comply with the requirement to keep the land in, or available for, agricultural use for five years. Agricorp uses the resources and underwriting processes already in place to complete this work.

Final compliance audits for this program will be completed in 2015.

Ontario Vineyard Improvement Program

This program helps wine producers fund vineyard improvement projects such as transitioning to new grape varieties, installing irrigation systems, bird-netting and purchasing new equipment. The program was delivered by OMAFRA until March 2015. Agricorp leverages our existing infrastructure to provide program support, including field verification of acreage and project completion, mapping services and web-based data management services.

In 2014–15, Agricorp completed 83 requests for field verifications. In 2015, this program transitioned to the new Marketing and Vineyard Improvement Program, delivered by Agricorp.

Services to industry

Leveraging our people, systems, data and infrastructure, Agricorp provides a number of important services that support Ontario's agriculture sector.



The Data Management System uses web and GPS technology to measure and map growers' vineyards and orchards for grapes, apples and tender fruit, capturing agronomic information such as plant inventory, variety, age, yield and quality.

Alternative Land Use Services

This not-for-profit program, funded by the Delta Waterfowl Foundation compensates producers for removing environmentally sensitive land from agricultural production. Agricorp provides verification services using GPS technology to map and validate acreage, and collect agronomic information to ensure land owners comply with their Alternative Land Use Services agreement.

In 2014–15, Agricorp validated 50 producer projects.

Dairy Credit Program

Agricorp delivers the Dairy Credit Program, which protects the financial interests of milk producers, under contract with the Dairy Farmers of Ontario.

In 2014–15, Agricorp analyzed the quarterly and annual financial statements of Ontario's 50 dairy processing plants, which purchase \$2 billion worth of milk annually from producers.

In 2014, the Fruit Tracker system, developed by the Ontario Tender Fruit Growers and supported by DMS, received the Premier's Award for Agri-Food Innovation Excellence.

Data Management Services (DMS)

In partnership with the fruit industry, Agricorp uses web-based data management and GPS technology to accurately measure and map growers' vineyards and orchards for grapes, apples and tender fruit for the Production Insurance program. DMS captures agronomic information such as plant inventory, variety, age, yield and quality. In partnership with Agricorp, the Grape Growers of Ontario, Ontario Apple Growers and the Ontario Tender Fruit Growers are able to leverage this information to more effectively and efficiently implement their own industry-required initiatives including research and marketing. For example, the information in DMS is used by apple and tender fruit growers to support their new on-farm food safety initiative, Fruit Tracker. This web-based system is used by growers to keep records for on-farm traceability purposes, track inventory and make informed decisions about pest management and irrigation.

Agricorp processed producer payments totalling \$20.7 million from the Farmer’s Risk Management Premium Fund in 2014-15.

Farmer’s Risk Management Premium Fund

Producers who participate in RMP: Grains and Oilseeds and RMP for livestock pay premiums, which are transferred to this industry-managed fund. The fund provides additional risk management support to producers in years of greater need. The following commodity groups manage the fund and decide if and when payments will be made: Grain Farmers of Ontario, Beef Farmers of Ontario, Ontario Pork, Ontario Sheep and Ontario Veal. Because we are already set up to provide these types of services to producers, Agricorp prints and mails cheques from the fund, ensuring efficient and effective service. In 2014–15, Agricorp processed 7,733 payments totalling \$20.7 million from the premium fund, on behalf of commodity groups.

Grain Financial Protection Board (GFPB)

Agricorp provides governance, secretariat and financial support services to the GFPB, a trust agency that administers four grain funds established by regulations under the *Farm Products Payments Act*. The GFPB’s mandate is to administer funds, investigate claims, grant or refuse claim payments, and recover any money to which it is entitled. Agricorp’s key deliverables under the service agreement with the GFPB include: coordination and support of board meetings; facilitation of board appointments; development of process, policy and issues documents; claim adjudication support; development and coordination of all board governance materials; and the management of check-off fees including reporting, investment and supporting the annual audit by the auditor general.



Agricorp provides support services to the Grain Financial Protection Board, which manages funds used to compensate producers under the Grain Financial Protection Program.

Management discussion and analysis



Weather challenges are the norm in agriculture. This year was no exception. The main weather story in 2014 was a cold and prolonged winter that threatened winter wheat and fruit crops, followed by a cool, wet spring that delayed planting in much of the province. Following a cooler than normal summer, a wet fall added to the challenge of planting fall-seeded crops and harvesting late-planted crops.

The winter of 2014 was the coldest in Ontario in more than 20 years. Snow fell early and heavily across the province. More than 90 per cent of the Great Lakes were covered in ice, more than doubling the usual 30 to 40 per cent.

Despite challenging weather conditions, most areas of the province saw average to above-average yields, while pockets of damage saw risk management programs providing customers with needed support. Reported yields for corn, soybeans and soft red winter wheat were 101, 104 and 96 per cent of average respectively.

There was some variability across the province with particular crops and regions experiencing severe weather challenges and reduced yields. The extremely cold winter resulted in lower peach and grape yields as well as instances of grapevine mortality. Peach yields in the primary growing area of Niagara were in the 90 per cent range, but yields outside of that region were as low as zero. Similarly, grape yields in the dominant

Niagara area experienced yields in the 70 per cent range, while yields in Essex were close to zero.

The winter of 2014 was the coldest in Ontario in more than

20 years

Producers in Temiskaming experienced a cool, wet growing season, resulting in delays in crop maturity. Mid-September frosts on immature crops affected yields, and wet conditions caused both plant diseases and delays in harvest. Producers reported damage on more than 80 per cent of insured acres in the area, with very low yields for corn, soybeans and canola.

The result overall was a total of 12,000 damage reports, a significant number that kept Agricorp adjusters busy throughout the summer and harvest season.

In April and May, the cold winter and wet spring had resulted in twice the average number of damage reports, totalling more than 5,200 for both months. Customers reported damage to trees, vines and winter wheat. Wet weather also forced many producers to replant in the spring, leading to more than \$13 million in reseeded benefits, the highest number in 10 years.

Business risk management programs are designed to help producers manage these weather risks and other challenges. Governments recognize the value of agriculture in the economic landscape and they understand the risks. There is a strong commitment to support the industry through continuing business risk management programs. Growing Forward 2, in place since 2013, represents a five-year federal, provincial and territorial commitment to a strong, stable agricultural sector.

Growing Forward 2: 2013–18 represents a five-year federal, provincial and territorial commitment to a strong, stable agricultural sector.

In Ontario, the province is also committed to see the industry grow. The Premier's Agri-food Challenge called on the province's agri-food industry to double its growth and create 120,000 jobs by the year 2020. Government priorities also include reducing regulatory burdens on producers, the promotion of local foods, ensuring agricultural sustainability through a pollinator health strategy, and amending legislation to provide a broader range of insurance plans. This continued focus on a strong agricultural sector is good news for Ontario producers.



The call centre is an important touch point, with 84 per cent of customers phoning in. Last year, front-line employees handled 127,000 incoming calls, 35,000 outbound calls and 12,000 email and fax inquiries.

At the same time, we are operating in a climate of fiscal restraint. The Ontario government is committed to balancing the budget by 2017–18, to investing in initiatives that promote modernization and to strengthening the province's accountability. Agricorp is expected to maintain high levels of customer service, while finding efficiencies and other cost-saving measures that support government priorities.

Whatever the weather or the fiscal environment, Agricorp's role is to deliver programs efficiently and effectively with a focus on accountability and prudent financial management. This means working closely with government and industry stakeholders to keep programs relevant, connecting with producers to improve services and operating with transparency and integrity.

In 2014–15, we made strong progress on all fronts. Our accomplishments for the year are outlined below under four broad categories: delivering programs efficiently, keeping programs relevant, connecting with producers and managing the business responsibly.

Delivering programs efficiently

Agricorp is in place to deliver risk management programs to producers. The bulk of our work is spent on day-to-day program delivery. Having efficient and effective operations is one of our strategic objectives and we have been making steady progress on continually improving our day-to-day operations and customer service.

The core of our strategy puts the focus squarely on the customer experience. Our goal is to provide a coordinated, customer-focused experience across all programs to ensure customers understand their coverage and program obligations equally, regardless of what programs they participate in.

On a daily basis, we handle anywhere from 800 to 3,000 customer interactions and more than 600 business transactions. These transactions involve everything from enrolling producers in programs, renewing coverage and mailing invoices, to handling damage reports, adjudicating claims and issuing payments. Customers can do business with us several ways – by phone, fax, mail, email, online and in person.

A summary of daily transactions for 2014–15

This past year alone, our employees handled 127,000 incoming calls, 35,000 outbound calls and 12,000 email and fax inquiries. In 2014–15, we issued \$244 million in program payments. We received almost 12,000 damage reports resulting in 7,760 Production Insurance claims. Our 70 field staff visited customers throughout the province to assess damage and review options with them. This work requires knowledgeable and professional staff familiar with both the agriculture industry and financial services processes.

Last year, we had close to 180,000 interactions with customers and issued \$244 million in program payments. Dedicated staff rely on training, knowledge and solid processes to ensure this volume of customer

transactions is handled consistently and accurately every day. To improve efficiency, consistency and overall customer service, we have been standardizing, streamlining and documenting program delivery processes. This has allowed for a more predictable and familiar customer experience across all programs.

Below is a glimpse of our day-to-day transactions, special initiatives and highlights for 2014–15.

Program participation

Depending on the program, customers can enrol online, by submitting a paper application or by contacting us by phone. Some farm operations require a field visit to collect underwriting information before insurance coverage can be secured. Once a producer is enrolled in a program, coverage is automatically renewed year after year and customers are required to contact us only if they want to change coverage. Program renewal periods vary depending on the type of crop, production cycle and availability of supporting financial or tax information.

We issue more than 90,000 renewals each year for AgriStability, Production Insurance, RMP and Farm Business Registration. Program mailings are leveraged to include reminders about service options and the benefits of participating in business risk management programs. Many forms are pre-populated with pertinent business and program information, so producers can easily review and update or confirm their coverage.

Highlights in 2014–15

AgriStability

AgriStability coverage changed in 2013 under the federal-provincial agricultural policy framework, Growing Forward 2. As a result of the changes, and in an effort to enhance efficiency, we conducted a comprehensive review of our delivery processes to better align with the size and scope of the new program. The review led to key changes that make it easier for customers to do business with us.

We launched a more deliberate and methodical renewal process that is consistent with the renewal process for other programs. The new process is more intuitive for producers, making it easier for them to make informed decisions at the appropriate time. We also simplified and condensed the AgriStability form to half its original size, reducing the reporting burden on producers. The content of the form changed substantially to ensure we collect the right information at the right time to accurately review and adjudicate files. We also created a tip sheet to help producers avoid errors commonly made in completing the form, making it easier to process their renewal and saving time with follow-up and corrections.

At \$315 per \$100,000 of reference margin, AgriStability provides affordable whole farm protection. We reached out to customers multiple ways to educate them about program changes and the benefits of participating in AgriStability.

Farm Business Registration (FBR)

OMAFRA's review of the Farm Business Registration program in 2013 resulted in a number of regulatory changes and streamlined customer reporting requirements for the 2015 program year. We worked closely with the ministry and accredited farm organizations to implement and communicate program changes to participants, who are now required to complete a new registration form every five years instead of every three, starting in 2015. The new form collects information used to verify farm income eligibility and eligibility for other programs. For added convenience, producers can complete the FBR form and

pay the fee online. Enhanced communications, including a number of changes to the invoice, resulted in fewer customer mistakes – a 33 per cent reduction in the rate of payments going to the wrong farm organization. Despite the changes and additional work involved, we still disbursed funds to the farm organizations on time.

Registering every five years instead of every three reduces the reporting burden on 44,000 producers.

We received positive customer feedback about the online FBR form: "Simple, fast, easy ... very nice. Congratulations on a job well done!"

Customer data collection

Program guidelines require customers to report various types of information throughout the program year, including production information, crop and livestock sales, planted acreage and yields. Customers also report any crop damage or changes in their operation. Agricorp uses the data to underwrite customers and process claims. Reported data helps identify trends in production and yields, which is used for ongoing operational planning and program development. Solid year-over-year data also builds our industry intelligence which is used to inform data analysis and actuarial work around liability and premiums.

Highlights in 2014–15

We managed approximately 150,000 business and reporting transactions throughout the year and continue to offer more online options.

- 9,970 or 67 per cent of AgriStability year-end claim forms were submitted online
- 1,600 or 9 per cent of grain and oilseed customers reported their acres online
- 2,658 or 34 per cent of RMP livestock sales reports were submitted online

Financial transactions

Most programs are cost-shared between both levels of government and producers. Customers are required to pay fees or premiums to participate in AgriStability, FBR, Production Insurance and RMP. Throughout the year,



Within one month of launching direct deposit in March 2015, more than 1,000 customers had signed up to receive program payments directly in their bank accounts and the first program payments were deposited in April.

Agricorp invoices customers in advance of program deadlines so they can budget and plan their risk management strategy.

We also issue program payments on a regular basis throughout the year. Staff review information reported by customers to determine when program claim payments are triggered. We follow clear and rigorous processes to ensure claim payments are calculated accurately and issued in a timely manner.

Highlights in 2014–15

We completed the ground work to standardize invoices and payment summaries for all programs so they are consistent and easy for customers to recognize and understand. Standardized forms will be rolled out in phases to align with planned administrative system upgrades.

We developed systems and business processes to introduce direct deposit of program payments. This involved completing key foundational work under our IT strategy to centralize management, processing and recording of customer financial information and transactions. In March 2015, customers were invited to sign up for direct deposit, either online or by mail, to start receiving future program payments directly in their bank accounts. Customers now have fast, convenient access to program payments, saving them trips to the bank to deposit cheques.

Within a month of launch, more than 1,000 customers had signed up for direct deposit, and the first program payments were deposited in April.

System enhancements have also laid the foundation for future customer services, such as an automated email notification service planned for release in 2015. Customers will receive automated messages informing them of upcoming program deadlines, notice of program payments, or the availability of certain key documents online.

Program delivery by the numbers

180,000

interactions with customers last year

\$244 million

in program payments issued last year

90,000

renewals issued each year for AgriStability, Production Insurance, RMP and Farm Business Registration

67%

of AgriStability year-end claim forms were submitted online

Keeping programs relevant

The agriculture industry is constantly changing and risk management programs are designed to change along with it. Program changes and updates can be triggered by government program reviews, legislative or policy changes, emerging industry needs and trends in farm management practices, such as new crop varieties and harvesting methods.

When programs change, Agricorp responds.

We leverage our existing infrastructure, program expertise and agricultural knowledge to deliver and communicate program changes quickly and effectively. In 2014–15, we implemented significant changes in two of our core programs and launched a new ad hoc program for beekeepers. We also started preliminary work to deliver two new programs announced for the grape and wine industry in March 2015.

Agricorp worked closely with government and industry partners to ensure compliance with program guidelines and efficient delivery for customers. In the course of managing new programs and program changes, we take every opportunity to simplify our processes and program materials to provide a better customer experience and help customers understand what programs can do for them.

Production Insurance

We collaborate with industry and government partners on a regular basis to make sure Production Insurance provides relevant coverage producers need and reflects the latest farming technology and practices. In 2014, producers welcomed significant changes to Production Insurance plans for winter wheat and forage rainfall. We extended the pilot plan for ginseng and worked closely with commodity groups to enhance the plans for strawberries and cucumbers.

Winter wheat dates changed

Advancements in farm management techniques and hardier varieties of winter wheat led Agricorp to extend the dates for planting, reporting acres and



Extended planting dates for fall-seeded grain crops give producers greater flexibility to plant when the timing is best for their crop.

paying premiums for fall-seeded grain crops in most parts of the province. Dates have been extended by seven days, giving producers greater flexibility to plant when the timing is best for their crop. This change allows producers to consider factors like weather and the previous crop's harvest when making decisions about planting.

Before changing the dates, we conducted research that included input from OMAFRA's cereal crop specialist, a historic review of planting dates against Production Insurance reseed and production claims, and a review of climate data for the last 30 years. This close collaboration with industry and government partners will help ensure these plans remain responsive to the changing needs of agriculture.

Forage rainfall plan improvements

In 2013, we consulted with a forage advisory committee, consisting of a number of commodity and industry groups, to identify potential enhancements to the forage rainfall plan. As a result of the consultation process, enhancements were made in 2014, providing more relevant coverage for producers.

The plan is now more responsive, recognizing that forage yield reductions result from small decreases in rainfall and progressively accelerate as rainfall shortages increase. Claim calculations have been updated to better reflect higher hay prices during periods of significant rainfall shortage. Small amounts of daily rainfall that do not contribute to forage growth is no longer considered to better reflect losses due to evaporation. These changes work together to provide coverage that better reflects the magnitude of forage loss due to reduced rainfall. In addition, customers can now purchase more coverage to ensure their feed costs and forage value are properly covered in light of increased commodity prices.

Valuable input from industry groups and OMAFRA helped Agricorp provide better forage protection that meets producer needs with more customizable coverage options.

On the heels of these enhancements, a new improvement was introduced for 2015. Producers can now select up to three rainfall stations instead of only one, allowing them to choose coverage that more accurately reflects their situation. This flexibility to choose stations closer to where their forage is grown is especially beneficial to producers whose forage is widely dispersed.

Valuable input from industry groups and OMAFRA helped Agricorp provide better forage protection that meets producer needs with more customizable coverage options.

Added coverage for day-neutral strawberries

Agricorp worked with the Ontario Berry Growers Association to enhance the Production Insurance plan for strawberries. Over the last ten years, Ontario growers have introduced production of day-neutral strawberries, which have a different production cycle and harvest period than traditional June-bearing varieties. Enhancing the plan will improve the coverage offered to strawberry growers to better align with emerging practices and risks on their operations. The changes will be rolled out for the 2015 crop year with additional enhancements, such as overwintering coverage, being looked at for future years.

Processing cucumber plan

Working with the Ontario Processing Vegetable Growers, Agricorp has updated the Production Insurance plan for processing cucumbers to reflect changing industry needs, practices and risk profiles. For 2015, the plan will be enhanced to apply different premium rates depending on harvest method: machine-harvest or hand-picked. This will allow a single plan to better meet grower needs and more accurately recognize differences in their operations and risks they face. Agricorp is continuing to collaborate with industry and government partners to review future potential enhancements, such as seed cost and bypass benefits, in line with other processing crop plans.

Expanding coverage for ginseng customers

We are continuing to work with industry to improve and expand the coverage for ginseng customers. Our pilot plan is in its second program year, covering ginseng planted in the fall of 2014. The plan, developed with the Ontario Ginseng Growers Association, is designed to help ginseng farmers protect the establishment of seedling gardens. Eleven customers participated in the first year of the pilot, which covered \$665,640 in liability and paid nearly \$34,000 in claims. Fourteen customers are participating in the second year of the pilot, which covers more than \$900,000 in liability.

Risk Management Program (RMP)

In consultation with industry reference committees, the province removed one of the RMP eligibility requirements. Starting with the 2015 program year, AgriStability participation is no longer an eligibility requirement for RMP. When making decisions about program coverage, producers will need to carefully think through all the risks their farm faces and consider what programs best suit their needs.

Changes to RMP give producers greater flexibility to make decisions that best meet their business needs.

Agricorp completed the necessary work to implement this change in our systems and processes along with explaining the change to producers. The change heightened the need for producers to understand the differences in coverage provided by different programs. We communicated to customers about the value and affordability of AgriStability in time for them to make informed business decisions about whether or not to participate.

Beekeepers Financial Assistance Program

The topic of bee deaths and pollinator health in Ontario garnered a great deal of media attention and public debate over the past year. When the province announced the Beekeepers Financial Assistance Program in April 2014 in response to harsh winter conditions and other pollinator health issues, Agricorp responded quickly to deliver this temporary financial assistance program.

Early and ongoing collaboration with the ministry to finalize program design and delivery details enabled us to quickly implement business processes, tools, systems and communication materials to support



Agricorp worked quickly to deliver the Beekeepers Financial Assistance Program in 2014, issuing \$3.1 million to Ontario beekeepers coping with high bee losses. In December 2014, the program was extended for a second year.

the application and claims process. Within three weeks of the announcement, we had mailed application packages with complete program information to 800 eligible beekeepers, who also had the option to apply online.

A total of 325 applications were submitted by the June 20 deadline and payments started to flow by the end of the month. Within a month of the application deadline, we had processed 75 per cent of the applications and issued more than \$1 million in program payments.

In December 2014, the program was extended for a second year. Agricorp mailed application packages to 840 eligible beekeepers in December. Program changes included earlier application timelines and requirements to follow best farm management practices.

Renewed Wine and Grape Strategy

In March, the provincial government announced funding of \$75 million over five years to increase competitiveness and innovation in the wine and grape sector. As part of Ontario's Wine and Grape Strategy, the government is launching two programs.

The new Marketing and Vineyard Improvement Program (MVIP) will help increase the profile and sales of Ontario wines as well as supporting vineyard production improvements. The renewed VQA Wine Support Program will help increase LCBO sales of Vintners Quality Alliance (VQA) wines, encourage innovation and improve exports and tourism.

Agricorp will deliver both programs, in collaboration with the ministry and partner organizations. Agricorp's strength is connecting producers with programs. We have the experience and infrastructure to provide the service required for these two programs. Our established relationship with these customers and our experience with verification services for the Ontario Vineyard Improvement Program, combined with our data management services, production records, service delivery and field expertise mean we are well positioned to deliver the two new programs effectively and efficiently.



Two new programs delivered by Agricorp will support the province's strategy to increase competitiveness and innovation in the wine and grape sector: the Marketing and Vineyard Improvement Program and the renewed VQA Wine Support Program.

Connecting with producers

Connecting with producers is key. We connect with individual producers and industry stakeholders regularly to keep a pulse on the industry, understand their business and address their needs. We attended more than 120 stakeholder meetings to build relationships, identify issues and gain a better understanding of industry needs.

Working with industry

We work closely with stakeholders across the various agricultural sectors to ensure their unique needs are addressed. In 2014–15, Agricorp’s industry stakeholder relations team attended more than 120 stakeholder meetings and events at the federal, provincial, industry and sector level. The interactions help us build and maintain important networks and relationships, identify and address issues and opportunities, and gain a better understanding of industry needs and agricultural practices. We also shared information with stakeholders to help them understand how our programs work. In exchange, we gained valuable feedback to address concerns and improve program design and delivery.

This close collaboration resulted in improvements to the Production Insurance plans for winter wheat, forage, strawberries and cucumbers, keeping these plans effective and in line with current farming practices.

Our work with the RMP reference committees helped us implement and communicate the program change removing AgriStability participation as an eligibility requirement. We also worked closely with multiple commodity groups, delivering payments on their behalf to producers under the Farmer’s Risk Management Premium Fund. This work included providing quarterly reports detailing program activity updates.

Listening to customers

We interact with customers every day. On the phone, through email and fax, and in the field. We also attend annual farm shows in London, Ottawa and Woodstock so employees who understand and deliver the

programs can meet with customers face-to-face, answer their questions and hear their concerns. We handled 162,000 phone calls, 6,000 farm visits and more than 1,300 producers visited our booth at three farm shows.

Producers continue to tell us we’re doing a good job. We’ve been surveying customers for 16 years, establishing a baseline on producer opinion, collecting information on program delivery and pinpointing where we need to improve our services. The survey is conducted by a third-party provider to ensure results are independent, transparent and credible. Producer responses remain anonymous.

According to the 2015 customer satisfaction survey, conducted by Ipsos Reid, 89 per cent of customers say Agricorp performs the same as or better than other organizations. Customers tell us our strongest attributes are:

- operating with the utmost integrity
- communicating effectively
- doing things right the first time
- getting things done in a reasonable amount of time

A large majority of customers remain satisfied with Agricorp’s delivery of AgriStability, RMP and Production Insurance. Satisfaction levels were also high for our customer call centre and field staff. All call centre attributes remained strong and overall performance increased significantly in 2014. Our field staff results were equally impressive with scores remaining high.

When Agricornp customers were surveyed:

89%

said Agricornp performs the same as or better than other organizations

75%

were satisfied with the delivery of RMP

92%

were satisfied with the delivery of Production Insurance

71%

were satisfied with the delivery of AgriStability

Agricornp, who deliver the SDRM program to our members, have provided excellent input and support.

John Kelly

Executive Vice President, Ontario Fruit & Vegetable Growers' Association

Managing the business responsibly

The industry we serve is the second largest contributor to the provincial economy, feeding \$34 billion to Ontario's gross domestic product. The programs we deliver support the industry by stabilizing producer incomes despite the many risks inherent in agriculture. Programs also give producers and lenders the confidence and security to invest in business improvements.

What we do is important. How we do it is equally important. We operate in a business-like manner with the utmost integrity. Operating with integrity is the most highly ranked attribute in our annual customer satisfaction survey and has been over many years. We are committed to treating producers fairly and to delivering programs responsibly with a focus on efficiency and prudent financial management. We follow all the essential checks and balances to ensure we are in compliance with all legislation, directives, program policies and guidelines.

A benchmarking study by KPMG found that we balanced efficiency with effectiveness and provided value for money.

A benchmarking study conducted by KPMG in 2013–14 compared our performance against counterparts and agencies in other jurisdictions to gauge our efficiency against others and identify potential areas for improvement. The study concluded we are performing the same as or better than our comparators for all indicators measured, finding that we balanced efficiency with effectiveness and provided value for money. The study also found that overall, government insurance organizations such as Agricorp

provide higher liability coverage per administrative dollar and greater value for money than the private sector. As well, results from our annual customer satisfaction survey demonstrated customers rank us above average in overall customer satisfaction year-over-year.

Rigorous planning and reporting

How we operate starts with strong planning supported by timely, transparent reporting. We have a deliberate, formal planning process that considers the state of the industry we serve, a detailed risk assessment, a sound understanding of government expectations and of our customers' changing needs. Our business plan articulates our strategic direction and priorities over a three-year period and defines where we will focus our resources. It includes clear performance metrics for our day-to-day operations that are aligned with nationally established performance standards. The plan is updated annually and submitted for approval to the minister of agriculture, food and rural affairs.

We report on our progress to OMAFRA regularly. In addition to providing monthly, quarterly and issue-specific updates throughout the year, we submit an annual report to the minister within 120 days of our fiscal year-end.

Timely and transparent reporting ensures we are delivering on our commitments.

Improving our infrastructure

We have made continuous improvements to our information technology systems to enable more reliable, accurate and timely program delivery, including the ability to offer more online services and build capacity for future enhancements. In 2013–14, we centralized the management and processing of customer financial information. This involved integrating four separate computer systems containing data for thousands of client files so that staff could more easily utilize customer information from a single platform. This foundational work allowed us to offer direct deposit of program payments in 2015 and lays the foundation for future service enhancements such as automated email notification and pre-authorized withdrawals. This completes the last project in the first phase of our IT renewal strategy.

With the completion of this phase, we are now working with the federal and provincial governments to receive approvals for the replacement of the Production Insurance administration system. This legacy system, used to deliver Production Insurance to 14,500 customers, has been in place since 1992 and is no longer cost effective to maintain. A new Production Insurance system will allow us to offer customers additional self-serve capabilities. As well, it will permit faster implementation of plan changes and enhancements, and will reduce costs currently associated with system updates and maintenance. Before implementing new capabilities, we will conduct a thorough review of all processes required to deliver the Production Insurance program to find efficiencies. The review will update and streamline processes to ensure we are ready to deliver new plans required by the industry and are positioned to respond more effectively to policy changes and government directives.

Solid processes supported by updated technology will position us for future program changes and faster program delivery.



Information technology improvements have enabled more reliable and timely program delivery, including enhanced online services, direct deposit of program payments, and future enhancements like email notification and pre-authorized withdrawals.

Managing finances prudently

Managing costs continues to be a priority as we must operate within the funding provided by the provincial and federal governments. The province has committed to improving public services and delivering a balanced budget by 2017–18. To meet the challenge, we have found efficiencies that allow us to streamline processes and find cost savings while maintaining service levels.

Streamlining processes

Finding efficiencies has not meant curtailing services. In fact, we have made many processes simpler for employees and customers alike. In order to manage change more effectively, we established new internal processes that bring greater role clarity and faster decision making. This has allowed us to make progress on resolving complex files and issues.

Our system testing was consolidated into one comprehensive unit responsible for all end-to-end testing. This has created a more holistic and effective model for assuring the accuracy of our information technology systems.



Simplified AgriStability forms and new communication materials reduce the reporting burden on producers while helping them to better understand program benefits and changes, and make informed decisions about their program participation.

For AgriStability, we revised our underwriting, claims, renewal and cancellation processes to properly align with program size and scope based on program design changes under Growing Forward 2. Data entry time has been reduced, new underwriting guidelines have resulted in fewer follow-up calls to customers and, even with a reduced workforce, we have exceeded our file processing targets. Customer forms were simplified and shortened, resulting in less time spent on follow-up calls to clarify or correct customer information.

Finding cost savings

We purchased equipment and completed preparations to introduce a new telephony system across the organization in 2015–16. Telephony upgrades will improve service for our customers through enhanced phone queue management and message features. It will also provide Agricorp with better data analysis, recording and tracking capabilities. And it will save money by switching voice communications from land lines to the internet.

Other cost-saving measures include taking a cautious approach to hiring and filling vacancies, plus ongoing work to reduce leasing costs to accommodate a smaller workforce. We also found savings through more competitive phone plans and printing contracts. We are increasing our focus on careful tracking of costs by program, and conducting more frequent forecasts to anticipate predictable costs and better prepare for unexpected costs.

Assessing and managing risks

We have a comprehensive approach to identifying risks, assessing exposures and opportunities and developing action plans to manage risks and meet objectives. The board of directors' Finance and Audit Committee oversees and monitors our enterprise risk management framework. The committee determines whether risk acceptance and control decisions made throughout the organization are appropriate. The committee oversees the risk management plan, audit plans and reports, as well as how management responds to and acts on audit recommendations, and makes recommendations to the board.

Our risk assessment program includes scheduled internal and external audits to ensure compliance with legislative and program agreements. The risk assessment plan is reviewed regularly to ensure all levels of organizational risk are identified and have proper controls in place to mitigate them.

The risk assessment and management plan is an integral part of the accountability mechanisms in place between Agricorp and OMAFRA. The plan is developed early in our planning cycle as it is used to inform the development of the agency's business plan. Throughout the year, we monitor and report on these risks to the board of directors and the ministry.

Ensuring business continuity

As part of our risk mitigation plan, we have developed a comprehensive business continuity plan to ensure the continuous operation of our business and computer

systems in the event of a major disruption or disaster. The plan includes the ability to access customer data and keep it secure, and to obtain the resources needed to carry on our core business function of delivering programs and serving customers.

Offsetting program risks

As the deliverer of the Production Insurance program, Agricorp has a strategy to ensure the program is sustainable and able to meet its objectives, while offering producers and governments stable premium rates and protecting government against unnecessary financial exposure. To ensure the Production Insurance Fund can cover claims paid over the long term, Agricorp conducts annual reviews of product design, premium rate setting methodology, underwriting and claim adjudication, and cash flow management. In addition, Agricorp purchases reinsurance to further mitigate large fluctuations in program claim payments in catastrophic claim years.

Given the current fund balance, decreased liability due to lower commodity prices, and recent history of lower claims, reinsurance costs will be significantly lower for the 2015 crop year compared to the 2014 crop year.

Meeting compliance requirements

We are diligent in complying with all requirements, directives, guidelines and legislation. This includes management of funds, program agreements, pension governance, compensation, procurement, freedom of information and conflict of interest guidelines.

Last year, we developed a tool to help track our compliance with all requirements, which has enhanced our overall oversight and reporting capabilities.

New and amended directives

Under the province's new Open Government initiative to make government more accountable and transparent, the accountability framework within which Agricorp operates has changed. As of April 1, 2015, under the new Agencies and Appointments Directive, Agricorp must now post the following documents on our public website: current memorandum of understanding, business plan and annual report. In addition, an amendment to the Travel, Meal and Hospitality Expenses Directive now requires Agricorp to post quarterly expense reports for appointees and senior management on our public website within one month after the end of each quarter. We have been working with ministry staff to ensure full compliance with these and other requirements of the directives.

New regulations and legislation

We took the necessary steps to ensure compliance with various government regulations and legislation that came into effect last year. Our practice for sending emails to customers complies with new federal anti-spam legislation that came into effect July 1, 2014. Proper compliance will be integral as we move forward with new email notification services.

Changes to the *Accessibility for Ontarians with Disabilities Act, 2005* (AODA) came into effect January 1, 2015.

To meet our new responsibilities under the act, we updated and published our accessibility policy internally for staff. We also updated customer materials and informed both staff and customers of our obligation to provide alternate formats to people with a disability. Our website also meets accessibility standards for those who are visually impaired.

We also completed mandatory health and safety awareness training for all employees and managers by July 1, 2014, as required under new regulations in *Ontario's Occupational Health and Safety Act*.

Operating with integrity

We are bound by rigorous governance practices, which include a code of ethics, strict conflict of interest guidelines and established written policies that ensure customers receive timely, predictable service, understand their program responsibilities and have the opportunity to ask questions and appeal decisions. Employees understand our guidelines and policies and know what is expected of them. Yearly customer satisfaction surveys demonstrate that we're operating with the utmost integrity, regarded by customers as our highest-rated attribute.

Pursuing a fair recoveries process

Monies are owed to the Crown when customers receive more money than they are eligible to receive under business risk management programs. Overpayments may occur as the result of incomplete program applications, processing errors, changes to farm operations or the nature of advance payments to producers in financial distress.

Since April 2012, producers have been required to establish repayment plans to repay any overpayments received within three years of being notified of the debt.

Agricorp has worked closely with producers one-on-one to establish fair and flexible repayment terms that minimize any financial hardship.

In February 2013, a legal application challenged our practice of recovering older debts, based on an exemption available to Agricorp from the two-year limitation period under the *Limitations Act, 2002*. In August 2014, the Ontario Superior Court of Justice confirmed that as an agency of the Crown, Agricorp is not subject to the two-year limitation period for the collection of these overpayments.

The collection of overpayments is now fully operationalized. By March 31, 2015, more than 80 per cent of producers contacted about past debt had paid in full, in part or entered into a repayment plan totalling \$22.7 million.

Managing employee compensation and engagement

Public compensation continues to come under significant scrutiny. More than 80 per cent of our costs are for payroll, further illustrating the importance of managing this area very carefully. Our compensation strategy is fair but conservative, in line with government expectations and in compliance with public sector legislation.

Our approach is to attract, retain and motivate talented people with fair compensation and other workplace offerings such as benefits, training and development, meaningful work and a supportive workplace culture.

We have a robust compensation framework to help ensure employees are fairly and equitably compensated for the work they do. Our approach is to attract, retain and motivate talented people with fair compensation and other workplace offerings such as benefits, training and development, meaningful work and a supportive workplace culture.



Our annual employee engagement survey indicates that employees are highly engaged – 84 per cent are willing to go above and beyond for Agricorn to succeed and 93 per cent look for opportunities to improve the way things are done.

Our policy has been to target median market salary levels for comparable positions. The salary structure has remained frozen since 2007 to remain prudent in a slowed economy, align with public sector restraint and manage within the funding envelope. In addition, senior management compensation has remained frozen and unchanged since 2011.

Our employees are engaged. An impressive 87 per cent of employees participated in our latest employee engagement survey, and have demonstrated a high level of commitment. The survey indicated that:

- 84 per cent of employees have the willingness to go above and beyond for Agricorn to succeed
- 93 per cent of employees look for opportunities to improve the way things are done
- 84 per cent of employees agree that Agricorn has established a good reputation for customer service and is responsible to the needs of its customers.

Appeals process

We take great care to ensure we are accurate and thorough in processing claims and managing customer files. On occasions when a customer disagrees with a decision we have made, we make every effort to resolve disagreements and issues using clear, consistent processes.

AgriStability and RMP

Customers who disagree with an Agricorn decision about their AgriStability or RMP claim are invited to contact us. We conduct an internal review to ensure the file was managed in accordance with program rules and consistently with other files. If the customer is not satisfied with the results of an internal review, they can request a review from the Business Risk Management Review Committee (BRMRC). This advisory body reviews all requests and makes non-binding recommendations to Agricorn. As the program administrator, Agricorn is accountable for applying all program rules

consistently and for all program-related decisions. As such, Agricorn may accept the BRMRC non-binding recommendations in full or in part, or may decline to follow the recommendations. Agricorn processes more than 25,000 AgriStability and RMP files each year. In 2014–15, five BRMRC review requests were received. All five requests are under review and none have been heard yet.

Production Insurance

Customers who disagree with an Agricorn decision about their Production Insurance claim or eligibility for coverage can also contact us to request a review. If the results of the internal review are unsatisfactory, customers can appeal to the Agriculture, Food & Rural Affairs Appeal Tribunal. This independent body makes final binding decisions on disputes between Agricorn and Production Insurance customers. In 2014–15, no cases were received. A request for a rehearing of an older case was dismissed for delay.





Looking ahead

Agriculture will continue to be a vital sector in the provincial landscape. The programs we deliver are critical to the success of this industry. We will continue to develop our infrastructure, processes and people to support this evolving and important industry. In doing so, we will manage our business responsibly, with integrity, transparency and careful financial control.

In the year ahead, we will work with producers and industry stakeholders to ensure programs remain relevant and program delivery remains efficient. We will introduce the new email notification service and make progress towards future online service enhancements, including pre-authorized withdrawals.

We will support the government's mandate to create agricultural growth and sustainability. A priority will be completing preparation work to update our Production Insurance system and processes. This will ensure we are well positioned to expand Production Insurance beyond crops to the broader agricultural sector, as allowed under proposed amendments to the *Crop Insurance Act, 1996*.

We have worked hard to deliver programs efficiently, keep them relevant, connect with producers and manage our business successfully. We will continue to work hard, to make improvements, meet industry expectations and demonstrate value for money and cost efficiency in everything we do.

2014–15 Performance targets and results

Targets	Results
<p>Achieve a consistently high overall customer service rating equal to the previous three-year average.</p>	<p>In the 2015 customer satisfaction survey, Agricorp’s overall performance rating was 3.55*, which is above the previous three-year average of 3.54*.</p>
<p>Process 95 per cent of AgriStability files by November 30, 2014.</p>	<p>Agricorp processed 95 per cent of the 2013 AgriStability files by November 17, 2014.</p>
<p>Process Production Insurance claims within 20 business days of receipt of all required information.</p>	<p>The average processing time for Production Insurance claims in 2014–15 was 6.5 days.</p>
<p>Process 95 per cent of RMP payments within 60 days of receipt of all required information.</p>	<p>Agricorp processed 99 per cent of RMP: Grains and Oilseeds, RMP for livestock and SDRM: Edible Horticulture payments within 60 days of receipt of all required information.</p>
<p>Provide quality processing of AgriStability files by reducing the number of amendments by two per cent over the previous year.</p>	<p>The number of AgriStability file amendments for the 2012 program year was reduced by 9 per cent, with 213 amendments compared to 235 amendments for the 2011 program year.</p>
<p>Provide quality processing of Production Insurance files with an error rate of less than two per cent.</p>	<p>The error rate was zero per cent for Production Insurance files.</p>
<p>Provide quality processing of RMP files with an error rate of less than two per cent.</p>	<p>The error rate was zero per cent for RMP files.</p>
<p>Complete annual Chair and CEO attestation, as required, for compliance with applicable legislation, directives and policies.</p>	<p>Agricorp continues to refine its compliance oversight processes. Agricorp will continue to collaborate with the ministry and build on the current governance framework.</p>

Targets	Results
Submit a three-year business plan, which includes a budget and risk management plan to the minister by March 1, 2015.	Agricorp's 2015–18 business plan was submitted to the minister on April 8, 2015. Agricorp will continue to collaborate with the ministry and build on the current governance framework.
Provide sound and balanced operational performance and financial reports to OMAFRA quarterly.	Operational and financial reports were provided to the ministry on a monthly and quarterly basis.
Submit an annual report to the minister within 120 days of Agricorp's year-end.	Agricorp's 2013-14 annual report was submitted to the minister on July 28, 2014, 119 days after year-end.
Ensure a comprehensive audit control framework is monitored annually by Agricorp's board of directors.	The annual audit control framework was developed, implemented and monitored.
Achieve a mean customer satisfaction survey rating of 3.50 or higher for Production Insurance.	In the 2015 customer satisfaction survey, Production Insurance received a rating of 4.26.**
Achieve a mean customer satisfaction survey rating of 3.50 or higher for AgriStability.	In the 2015 customer satisfaction survey, AgriStability received a rating of 3.72.**
Achieve a mean customer satisfaction survey rating of 3.50 or higher for RMP.	In the 2015 customer satisfaction survey, RMP received a rating of 3.94.**

* Customer satisfaction survey results are scores out of five.

** The effectiveness of current programs is a function of program policy and design and of program delivery. Agricorp is responsible for program delivery. The ministry is accountable for program policy and design.

Management's responsibility for financial reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provisions for claims, that are necessarily based on management's best estimates and have been made using careful judgment.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the Office of the Auditor General on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

Randy Jackiw
Chief Executive Officer

Erich Beifuss
Chief Financial Officer

June 22, 2015



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Agricorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the accompanying financial statements of Agricorp, which comprise the statement of financial position as at March 31, 2015, and the statement of operations and fund balances, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Agricorp as at March 31, 2015 and the results of its operations, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 22, 2015

Susan Klein, CPA, CA, LPA
Assistant Auditor General

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Statement of financial position

As at March 31, 2015 with comparative information for 2014

(in thousands of dollars)	General Fund	Production Insurance	2015	2014
Assets				
Cash	\$ 1,405	\$ 808	\$ 2,213	\$ 2,080
Investments (note 5)	4,737	825,498	830,235	764,610
Accounts receivable (note 4)	3,661	8,354	12,015	13,834
Funds under administration (note 3)	78,609	–	78,609	79,132
Prepaid expenses	706	–	706	749
Accrued pension asset (note 11)	6,979	–	6,979	6,358
Capital assets (note 6)	1,138	–	1,138	1,836
Total assets	\$ 97,235	\$ 834,660	\$ 931,895	\$ 868,599
Liabilities and fund balances				
Accounts payable and accrued liabilities	\$ 5,763	\$ 219	\$ 5,982	\$ 6,704
Unearned premiums and revenue (note 9)	4,403	15,268	19,671	22,725
Provision for claims	–	4,241	4,241	6,500
Funds under administration (note 3)	78,609	–	78,609	79,132
Total liabilities	88,775	19,728	108,503	115,061
Fund balances	8,460	801,581	810,041	740,084
Accumulated remeasurement gains	–	13,351	13,351	13,454
Total liabilities and fund balances	\$ 97,235	\$ 834,660	\$ 931,895	\$ 868,599

Commitments and contingencies (note 12)

See accompanying notes to financial statements.

Approved on Behalf of the Board

Rod Stork
Vice-chair

Randy Jackiw
Chief Executive Officer

Statement of operations and fund balances

Year ended March 31, 2015 with comparative information for 2014

(in thousands of dollars)	General Fund	Production Insurance	2015	2014
Revenue				
Operating funding – Ontario and Canada (note 8)	\$ 40,133	\$ –	\$ 40,133	\$ 47,260
Premiums from producers	–	57,765	57,765	63,957
Funding – Ontario and Canada	–	86,840	86,840	96,192
Sales, consulting and other services	844	–	844	848
Investment income	80	20,062	20,142	20,414
Total revenue	41,057	164,667	205,724	228,671
Expenses				
Claims	–	85,601	85,601	89,257
Reinsurance (note 10)	–	9,219	9,219	17,133
Administration (note 16)	40,935	–	40,935	48,017
Bad debts	–	12	12	8
Total expenses	40,935	94,832	135,767	154,415
Excess of revenue over expenses	122	69,835	69,957	74,256
Fund balances, beginning of year	8,338	731,746	740,084	665,828
Fund balances, end of year	\$ 8,460	\$ 801,581	\$ 810,041	\$ 740,084

Related Party transactions (note 13)

See accompanying notes to financial statements.

Statement of remeasurement gains and losses

Year ended March 31, 2015 with comparative information for 2014

(in thousands of dollars)	2015	2014
Accumulated remeasurement gains, beginning of year	\$ 13,454	\$ 19,957
Unrealized gains (losses) on investments	(103)	(6,503)
Accumulated remeasurement gains, end of year	\$ 13,351	\$ 13,454

See accompanying notes to financial statements.

Statement of cash flows

Year ended March 31, 2015 with comparative information for 2014

(in thousands of dollars)	General Fund	Production Insurance	2015	2014
Cash provided by operating activities				
Excess of revenue over expenses	\$ 122	\$ 69,835	\$ 69,957	\$ 74,256
Items not requiring an outlay of cash				
Amortization of capital assets	1,527	–	1,527	2,488
Total	1,649	69,835	71,484	76,744
Changes in non-cash working capital				
Accounts receivable	3,584	(1,765)	1,819	(713)
Prepaid expenses	43	–	43	203
Accrued pension asset	(621)	–	(621)	(1,815)
Accounts payable and accrued liabilities	(565)	(157)	(722)	915
Unearned premiums and revenue	(669)	(2,385)	(3,054)	(10,977)
Provision for claims	–	(2,259)	(2,259)	4,826
Total	1,772	(6,566)	(4,794)	(7,561)
Investing activities				
(Increase) in investments	(1,764)	(63,861)	(65,625)	(61,742)
Unrealized losses on investments	–	(103)	(103)	(6,503)
Capital activities				
Purchase of capital assets	(829)	–	(829)	(1,001)
Total	(2,593)	(63,964)	(66,557)	(69,246)
Increase (decrease) in cash	828	(695)	133	(63)
Cash, beginning of year	577	1,503	2,080	2,143
Cash, end of year	\$ 1,405	\$ 808	\$ 2,213	\$ 2,080

See accompanying notes to financial statements.

Notes to the financial statements

Year ended March 31, 2015

1. Nature of operations

The *AgriCorp Act, 1996* established Agricorp as a provincial crown corporation without share capital, on January 1, 1997. As an agency of the Ontario government, Agricorp's mandate is to deliver government and non-government business risk management programs to Ontario's agriculture industry on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA).

These programs are as follows:

Government – Production Insurance

Production Insurance was established in 1966 and currently operates pursuant to the *Crop Insurance Act (Ontario, 1996)*. For over 100 commercially grown crops in Ontario, Production Insurance provides insured producers with financial protection against yield reduction caused by natural perils.

Government – Other Business Risk Management

These programs, as detailed under note 3, are administered by Agricorp on behalf of OMAFRA and the federal government. The rules regarding payments to customers are determined by the programs and in formal agreements with Agricorp. The funds paid out under these programs flow from either Ontario or Canada or both through Agricorp to qualified applicants, and are held in segregated accounts in funds under administration.

Other

Agricorp is responsible for the delivery of the Farm Business Registration Program (FBR) established under the *Farm Registration and Farm Organizations Funding Act, 1993*. Under an agreement with OMAFRA, Agricorp's primary obligations include registration of farm businesses, collection of registration fees, and disbursement of the fees net of an administrative charge to Ontario's accredited farm organizations.

2. Significant accounting policies

a) Basis of accounting

The financial statements of Agricorp have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada (CPA Canada). Agricorp has also elected to apply the section 4200 standards for Government Not-For-Profit Organizations. These financial statements are, in management's opinion, properly prepared within reasonable limits of materiality, statutory requirements and the framework of the accounting policies summarized below.

Agricorp uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative revenues and expenses, as well as for all unsegregated activities.

b) Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided for using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	5 years

c) Employee future benefits

Agricorp provides defined retirement benefits and other future benefits for substantially all retirees and employees. These future benefits include pension plan and accumulated sick leave.

i) Pension plan

Agricorp sponsors a contributory defined benefit registered pension plan for all full-time and eligible part-time employees. Agricorp contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method pro-rated on service and management's best estimates of expected plan investment performance, salary escalation, and retirement ages of employees. Pension plan assets are valued using current fair values and any actuarial adjustments are amortized on a straight-line basis over the average remaining service life of the employee group.

ii) Accumulated sick leave

Agricorp provides a non-vested sick leave benefit to all full-time and part-time employees. Employees are granted 6 days of sick leave per year and are eligible to accumulate up to 30 days of sick leave. Employees are not paid for unused sick leave.

d) Revenue recognition

Under the General Fund, Agricorp accounts for government funding under the deferral method of accounting. Government funding used for the purchase of capital assets is deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets. All remaining government funding is recognized as revenue when received or receivable if the amount

to be received can be reasonably estimated and collection is reasonably assured.

Sales, consulting and other services revenue is recognized as services are performed, collection of the relevant receivable is probable and persuasive evidence of an arrangement exists.

Production Insurance government funding and Production Insurance producer premiums are recognized as revenue in the year in which the related crops are harvested. Premiums received for future years are classified as unearned premiums and revenue on the statement of financial position.

e) Financial instruments

Agricorp's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities.

All financial instruments are recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record short-term demand deposit type investments as amortized at cost, which approximates fair value, and all other investments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and fund balances.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and fund balances. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and fund balances. Agricorp is required to classify fair value measurements using a fair value hierarchy, which indicates three levels of information that may be used to measure fair value:

Level 1

Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2

Observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

f) Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amounts of accounts receivable, capital assets, accounts payable and accrued liabilities, unearned premiums and revenue, provision for claims and accrued pension asset. Actual results could differ from those estimates.

g) Provision for claims

The provision for claims represents an estimate of the cost of potential future claims, primarily related to the Production Insurance program as it pertains to the prior year's crop that has not been harvested before year end due to weather conditions.

3. Funds under administration

Agricorp provides administration services on a cost recovery basis to process and disburse payments to producers enrolled in business risk management and non-business risk management agricultural programs. These programs are generally administered on behalf of OMAFRA for producers in Ontario, and cover joint Canada-Ontario, Canada-only, and Ontario-only programs. Individual program delivery agreements are in place for each program.

Program payments are calculated according to program requirements and the program delivery agreements. Funding is provided by Canada and/or Ontario and all funds are segregated in accounts under administration by program until such time as payments are processed for the producers.

Funds for these programs are held in accounts with Canadian banks, bankers' acceptance or bank discount notes and all are highly liquid. As Agricorp only administers these programs, no recognition is made for program revenue, expense, receivables or payables.

a) AgriStability

AgriStability was established under the Growing Forward Framework Agreement as a continuation of the Canadian Agricultural Income Stabilization (CAIS) program. AgriStability has been in effect since 2007. This program provides agricultural producers with financial protection against large declines in farm margin. To participate, producers must enroll in the program and pay administration and enrollment fees based on their reference margin for specified prior years. Producers are also required to submit an application that includes production data and farming income (or loss) reported for income tax purposes.

Starting with program year 2013, the Growing Forward 2 agreement on agricultural policy has resulted in a simplified program, with a single coverage level. A program benefit is paid to the participant when the participant's current production margin declines by more than 30%

below the lower of the reference margin or the average adjusted expenses.

AgriStability is cost shared by Canada and Ontario at a basis of 60% and 40% respectively.

b) Risk Management Program (RMP)

RMP was launched by the Ontario government as a permanent program effective April 2011 and extended to additional sectors. RMP helps producers offset losses caused by low commodity prices and fluctuating production costs. RMP is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments. Effective January of 2015, AgriStability participation is no longer an eligibility requirement of RMP.

RMP includes the following plans:

RMP: Grains and Oilseeds (RMP-GO)

The plan provides Ontario grain and oilseed producers with commodity specific price support based on cost of production. To participate, producers must pay premiums, provide a premises identification number and participate in Production Insurance, if available for their crop.

RMP for Livestock (RMP-LS)

RMP for Livestock includes individual plans for cattle, hogs, sheep and veal. The plans provide producers with commodity specific price support based on cost of production. To participate, producers must pay premiums and provide a premises identification number.

RMP: Self-Directed Risk Management Plan: Edible Horticulture (RMP-SDRM)

Under the terms of the plan, producers of edible horticulture deposit into their account a percentage of their eligible net sales and a contribution is made into the account by the Ontario government. Funds can be withdrawn to cover risks to the farm business, such as a reduction in income or other

farm-related expenses or losses. To participate, producers must make a deposit into their SDRM account and provide a premises identification number.

c) General Top-Up Program (GTUP)

GTUP was established under the Canada-Ontario Implementation Agreement and expired on March 31, 2008. Under the terms of the agreement, producers that participated in CAIS and received a payment under that program were eligible for a top-up payment based on a fixed percentage of their 2003 and 2004 CAIS government benefits.

d) Beekeepers Financial Assistance Program (BFAP)

The BFAP initiative came into effect April 30, 2014. The initiative provided financial assistance to eligible Ontario beekeepers who were experiencing unusually high bee deaths in 2014. This program was extended to 2015 to deal with ongoing bee mortality issues. BFAP is fully funded by Ontario.

e) Other programs

Agricorp administers several other programs, some of which are in the process of being wound down on behalf of OMAFRA and the federal government. These programs continue to be funded by OMAFRA and the federal government in accordance with each program delivery agreement. Examples of these programs include:

Risk Management Program pilot (RMP pilot)

RMP pilot came into effect August 16, 2007 and expired on March 31, 2013. The program provided Ontario grain and oilseed producers with commodity specific price support based on cost of production for the 2007, 2008, 2009 and 2010 crop years. The program was fully funded by Ontario and represented an advance against Ontario's share of AgriStability program costs and reduced its share of AgriStability payments.

Self-Directed Risk Management Program (SDRM)

SDRM program delivery agreement between OMAFRA and Agricorp came into effect April 1, 2007 and expired on March 31, 2013. Under the terms of the program, producers deposited into the program account a percentage of their eligible net sales and a matching contribution was also made into the account by Canada and/or Ontario. Claims were paid out of the program account to participants, but the total payment amount for a program year could not exceed the total available funds in the account.

Farm Business Registration (FBR)

In accordance with the *Farm Registration and Organizations Funding Act, 1993*, farm businesses in Ontario whose gross farm income is equal to or greater than \$7,000 are required to register their farm business. In return for the registration, the farm business pays a reduced property tax rate on agricultural land (25% versus 100%), and is granted membership in an accredited farm organization of their choice. Agricorp collects these fees and remits them, less an administrative charge, to the chosen accredited farm organization.

The following summarizes the transactions related to the funds under administration:

(in thousands of dollars)	Opening Balance 2015	Federal Funding	Provincial Funding	Other	Payments	Closing Balance 2015
AgriStability	\$ 66,792	\$ 36,077	\$ 20,691	\$ 1,054	\$ (58,668)	\$ 65,946
RMP-GO	35	–	31,710	(19)	(31,523)	203
RMP-LS	1,798	–	11,955	(421)	(11,030)	2,302
RMP-SDRM	7,543	–	22,730	727	(24,269)	6,731
GTUP	2,374	–	–	155	(47)	2,482
BFAP	–	–	3,605	22	(3,154)	473
Other	590	–	343	(114)	(347)	472
Total	\$ 79,132	\$ 36,077	\$ 91,034	\$ 1,404	\$ (129,038)	\$ 78,609

4. Accounts receivable

Accounts receivable are comprised primarily of amounts due from the governments of Canada and Ontario and amounts due from producers.

(in thousands of dollars)	2015	2014
Government funding – Canada	\$ 9,236	\$ 10,086
Government funding – Ontario	1,633	4,711
Other	1,233	936
	12,102	15,733
Less allowance for doubtful accounts	(87)	(1,899)
	\$ 12,015	\$ 13,834

5. Investments

Legislation restricts Agricorp's investments to highly liquid, high-grade investments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

a) Portfolio profile

Short-term demand deposit type investments are at amortized cost which approximates fair value.

Other investments are valued at fair value:

(in thousands of dollars)	2015	2014
Short-term	\$ 535,855	\$ 419,181
Long-term bonds		
Government of Canada	–	8,895
Province of Ontario	82,441	97,864
Other provincial governments	108,070	167,021
Provincial utilities	42,110	48,934
Financial institutions	61,759	22,715
	294,380	345,429
Total investments	\$ 830,235	\$ 764,610

b) Maturity profile of the investment portfolio

(in thousands of dollars)	2015	2014
< 1 Year	\$ 535,855	\$ 419,181
1–3 Years	217,842	200,063
4–5 Years	76,538	145,366
Total	\$ 830,235	\$ 764,610

c) Fair value hierarchy

Fair market value of all investments was determined using Level 1 information (note 2 (e)).

6. Capital assets

(in thousands of dollars)	Cost	Accumulated amortization	2015 Net book Value	2014 Net book Value
Furniture and fixtures	\$ 1,215	\$ 1,190	\$ 25	\$ 62
Computer hardware	4,335	3,747	588	687
Leasehold improvements	1,950	1,923	27	38
Computer software	12,919	12,421	498	1,049
Total	\$ 20,419	\$ 19,281	\$ 1,138	\$ 1,836

7. Financial instruments risk management

a) Fair value of financial assets and financial liabilities

The carrying values of cash, demand deposit type investments, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods of maturity of the instruments.

The fair value of other investments is based on quoted market values.

b) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on Agricorp's financial position, operations and cash flow.

Fluctuations in interest rates have a direct impact on the market valuation of Agricorp's fixed income securities portfolio. The average return on investments is 2.98% (2014 was 3.63%). Fluctuations in interest rates could have a significant impact on the fair value of the fixed income securities profile. Although investments are generally held to maturity, realized gains or losses could result if actual Production Insurance claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations.

c) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. Agricorp is exposed to credit risk principally through balances receivable from the federal and provincial governments and producers as well as through its investment securities. Agricorp is exposed to credit risk on the reinsurance contracts that are placed with reinsurers. In order to minimize this risk, Agricorp places reinsurance with a number of different reinsurers and evaluates the financial condition

of each of these reinsurers in order to minimize exposure to a significant loss from any one reinsurer in the event of insolvency. Reinsurers are typically required to have a minimum financial strength rating of A-, based on the rating agencies A.M. Best, and Standard and Poor's. Based on professional judgment, management sets limits to establish the maximum amount of business that can be placed with a single reinsurer.

Credit risk on balances receivable arises from the possibility that the entities which owe funds to Agricorp may not fulfill their obligation. Collectability is reviewed regularly and an allowance for doubtful accounts is established to recognize the impairment risks identified.

Credit risk on investment securities arises from Agricorp's positions in term deposits, corporate debt securities and government bonds. Legislation restricts the types of investments Agricorp may hold to high grade Canadian debt instruments and investments approved by the Ministry of Finance which significantly reduces credit risk.

8. Operating funding – Ontario and Canada

The governments of Canada and Ontario have agreed to share the costs of administering Production Insurance, AgriStability and GTUP at the ratio of 60% and 40% respectively. The costs to administer RMP-GO, RMP-LS, RMP-SDRM and BFAP programs are funded by Ontario.

9. Unearned premiums and revenue

Unearned premiums represent premiums of \$15.3 million (2014–\$17.7 million) paid in advance to Production Insurance for crops that have yet to be harvested. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of \$1.1 million (2014–\$1.8 million) and other unearned amounts of \$3.3 million (2014–\$3.2 million).

10. Reinsurance agreement

Agricorp has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume Production Insurance losses based on negotiated thresholds. Agricorp purchased reinsurance to mitigate a fixed percentage of losses for 2014 Production Insurance claims in excess of \$396 million to a maximum of \$538 million. As actual claims for the 2014 crop year were less than the minimum threshold, no reinsurance payments were received by Agricorp.

Agricorp signed an agreement in December 2014 whereby it purchased reinsurance through a number of carriers for the 2015 crop year. The amount purchased under this agreement is to mitigate a fixed percentage of losses between 16% and 19% of insured liability, subject to a maximum of \$3.55 billion (2014 – \$3.53 billion).

11. Pension

Agricorp has a mandatory contributory defined benefit plan for its full-time and part-time employees. The changes for the defined benefit plan of Agricorp during the year are as follows:

(in thousands of dollars)	2015	2014
Accrued benefit obligation		
Balance, beginning of year	\$ 36,239	\$ 31,006
Current service cost	2,369	2,100
Interest cost	2,408	2,236
Employee contributions	1,463	1,621
Benefits paid	(2,022)	(666)
Actuarial (gain) loss	–	(58)
Balance, end of year	\$ 40,457	\$ 36,239

(in thousands of dollars)	2015	2014
Plan assets		
Fair value, beginning of year	\$ 45,021	\$ 34,822
Actual return on plan assets	5,256	5,471
Employer contributions	2,282	3,773
Employee contributions	1,463	1,621
Benefits paid	(2,022)	(666)
Fair value, end of year	\$ 52,000	\$ 45,021
Funded status		
Plan surplus	\$ 11,543	\$ 8,782
Unamortized actuarial (gain)	(4,564)	(2,424)
Accrued pension asset	\$ 6,979	\$ 6,358

The significant actuarial assumptions adopted in measuring the accrued benefit obligations of Agricorp are as follows:

	2015 %	2014 %
Discount rate to determine accrued benefit obligation	6.5	6.5
Discount rate to determine benefit cost	6.5	6.5
Expected long-term rate of return on plan assets	6.5	6.5
Rate of compensation increase	4.0	4.0

The net benefit plan expense is as follows:

(in thousands of dollars)	2015	2014
Current service cost	\$ 2,369	\$ 2,100
Interest cost	2,408	2,236
Expected return on plan assets	(2,982)	(2,417)
Amortization of unrecognized loss	(134)	38
Net benefit plan expense	\$ 1,661	\$ 1,957

The percentage of total fair value of plan assets by category is as follows:

Security type	2015 % of plan	2014 % of plan
Canadian equities	30.2	33.2
U.S. equities	17.2	15.3
International equities	14.8	15.3
Bonds	24.6	22.8
Real estate	4.2	4.4
Cash and cash equivalents	9.0	9.0
Total fund	100.0	100.0

An external investment advisor manages the investments held by the pension plan. Administration expenses on the statement of operations and fund balances include pension expense of \$1.7 million.

The most recent pension plan actuarial valuation was as of January 1, 2014 and at that time, the plan had a going concern actuarial surplus of \$7.4 million and had a solvency and wind-up surplus of \$2.5 million. These estimates are determined under the provisions of Section 76 of the *Regulations to the Pension Benefits Act, 1990 (Ontario)*. The next actuarial valuation is expected to be completed as of January 1, 2017.

12. Commitments and contingencies

a) Commitments

Agricorp is committed to several leases for office space, weather data and sites, print services, mainframe support and operating leases for vehicles. The minimum aggregate costs for the unexpired terms of these leases are:

(in thousands of dollars)

2016	\$ 2,826
2017	586
2018	176
2019	21
2020	–
Total	\$ 3,609

b) Contingencies

During the normal course of business, certain claims or program payments may be denied by Agricorp. As a result, various claims or proceedings have been, or may be, initiated against Agricorp. The disposition of the matters that are pending or asserted is not expected by management to have a material effect on the financial position of Agricorp or on its results of operations.

13. Related party transactions

Agricorp has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and internal auditing services amounted to \$281,296 (2014 – \$299,377). In addition, Agricorp rents its head office location from the Ontario Infrastructure and Lands Corporation for a total cost for the year of \$1.6 million (2014 – \$1.7 million). Agricorp earned revenue of \$55.6 million (2014 – \$62.7 million) from OMAFRA as their share of Production Insurance premium and operating funding.

14. Board remuneration and salary disclosure (in actual dollars)

Total remuneration to members of the Board of Directors was \$47,804 (2014 – \$36,333). *The Public Sector Salary Disclosure Act, 1996*, requires Agricorp to disclose employees paid an annual salary in excess of \$100,000. The complete disclosure for Agricorp is included in the “Public Sector Salary Disclosure 2015: Crown Agencies” listing on the Government of Ontario website:

<http://www.fin.gov.on.ca/en/publications/salarydisclosure/pssd/orgs-tbs.php?organization=crown&year=2014>

For the 2014 calendar year, the amounts paid to the five employees with the highest annual salaries are:

Name	Position	Salary	Taxable Benefits
Beifuss, Erich	Chief Financial Officer	\$ 163,639	\$ 606
Jackiw, Randy	Chief Executive Officer	184,356	12,263
LaRose, Doug	Chief Information Officer	185,848	688
Meneray, Debra	Senior Director, Program Delivery	146,520	557
Vlcek, Mike	Senior Director, Program Development	145,200	541

The taxable benefit for the Chief Executive Officer is comprised mainly of a taxable benefit for a vehicle, provided under the terms of his employment contract and is an “allowable special consideration” under the government directives.

15. Restructuring costs

In the 2013–14 fiscal year, Agricornp, as part of ongoing efforts to streamline operations and increase efficiency, incurred one-time costs of \$2.2 million to reduce the workforce and to exit certain premises before the end of the lease term. These costs are comprised of \$1.6 million in salaries and benefits and \$0.6 million in facilities costs and are included in total administration costs (Note 16).

16. Administration

The following is a summary of the administration costs for the year:

(in thousands of dollars)	2015	2014
Salaries and benefits	\$ 30,988	\$ 35,866
Facilities	1,799	2,572
Amortization	1,527	2,488
Equipment and maintenance	2,615	2,353
Consulting and professional	1,389	2,142
Telephone and postage	997	1,072
Office	762	699
Vehicle and travel	616	588
Other	242	237
Total	\$ 40,935	\$ 48,017



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