

Annual Report 2015-16

# Delivering Reliable Risk Management



  
**Agricorp**<sup>®</sup>

An agency of the Government of Ontario

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. As an agency, we have the flexibility, independent decision making and robust governance framework to meet the evolving needs of customers, industry and government.

From the field to the boardroom, Agricorp staff and board members combine a wealth of agricultural 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.

### **We connect producers with programs**

The agriculture and agri-food industry is a major economic driver in Ontario. It brings \$35 billion to the provincial economy and employs 780,000 people<sup>1</sup>. Ontario producers work hard in a volatile and challenging environment to produce safe, high-quality products that feed millions of people at home and abroad.

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 programs that help Ontario producers protect their operations by managing risks beyond their control and having the confidence 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.

Each year Agricorp delivers programs in a cost-effective way with an emphasis on efficiency, continuous improvement and quality customer service.

1. OMAFRA: Employment in Selected Agri-food Industries, Ontario, 2007–2014 and Ontario Gross Domestic Product (GDP) for Agri-Food Sector, 2007–2014

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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.

## **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

## Delivering value for agriculture



The agriculture and agri-food sector accounts for one in nine jobs in Ontario, bringing \$35 billion to our provincial economy. Farmers provide employment, from food production all the way through to processing and distribution. More importantly, they feed the world. Every single person on the planet relies on some form of agriculture to survive. It's a valuable industry that's worth protecting.

I have been farming for close to thirty years, directly involved in running our family operation in Norfolk County. With acres of high value crops, including fruit and asparagus, I understand first-hand the importance of the agriculture industry. I also understand the many challenges producers face year in and year out. Most producers love what they do, but producing food is not without risk. And producers should **not** bear all of the risk themselves.

That's why governments provide and support agricultural risk management programs. We need producers to keep on farming, to feed our people and our economy. We need to ensure that agriculture remains viable and sustainable, not only today but for future generations.

It's a known fact – farming is unpredictable. The programs Agricorp delivers help manage the unpredictable and mitigate the risks producers face every day. Risks like challenging weather, from frost to drought, plant disease, pest infestation, fluctuating markets, rising costs and low commodity prices. Having a reliable level of income stability, even in times of loss, allows producers to make investments that improve their operations, provide jobs and help

communities thrive. And producers agree.

On average, 78 per cent of Agricorp customers across all programs agree that programs are critical in helping them stabilize their income; 71 per cent feel that programs give them the confidence they need to invest in business improvements. This is the value of the business risk management programs delivered by Agricorp.

The programs we deliver, funded by the provincial and federal governments, include AgriStability and Production Insurance. We also deliver the Risk Management Program, funded solely by the Ontario government. Each program covers different risks, and producers who enrol in all three enjoy the maximum protection available to them. It's worth noting that Production Insurance turns 50 in 2016. When a program stays around for that long, it's obviously doing something right. Designed to be stable, sustainable and affordable, the program has evolved over the years to meet changing industry needs and practices. After 50 years of industry growth, this program continues to provide excellent value that producers have come to rely on.

Agricorp has made many improvements to our program delivery, efficiency and technology over the years and this trend is poised to continue.

Valuable programs and reliable program delivery go hand in hand. Agricorp has made many improvements to our program delivery, efficiency and technology over the years and this trend is poised to continue. As chair of Agricorp's board of directors, I am eager to support the agency as we continue to increase efficiency through process and technology advancements.

This is important to producers. Agriculture has always embraced technology to increase productivity and efficiency on the farm. Modern operations use the latest GPS technology, robotics and drones. According to the 2011 census statistics, Ontario farms used roughly 215,000 pieces of heavy machinery – tractors, combines and balers – totalling approximately \$7.6 billion in value. More than 30,000 Ontario farms reported using computers for farm management<sup>2</sup>. Approximately 80 per cent of Agricorp customers are connected to the Internet and more than half use the agricorp.com website. Going forward, these numbers will only get bigger.

As Agricorp continues to evolve, we will focus on improvements that customers want: easier forms,

less paperwork, better services and more self-serve options, all of which leave more time for the important business of farming.

My work as chair promises to be a rewarding experience. I am pleased to be working with our government and industry partners, and gaining from their knowledge, experience and expertise. I would like to acknowledge the many contributions of the board and thank them for their wisdom, service and support. I would also like to thank Agricorp's senior management team, CEO, Doug LaRose, and all Agricorp employees for their ongoing effort and dedication. The board has helped define a sound strategic direction and the entire Agricorp team works hard to make it happen. Agricorp is committed to delivering value for agriculture. I look forward to being a part of it.

**Murray Porteous**

Chair

2. OMAFRA: Statistical Summary of Ontario Agriculture

# 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 our purpose, powers, mandate and structure. As an agency of the provincial government, we are responsible for the judicious use of public funds, are publicly accountable and undergo regular audits by internal, provincial and federal auditors.

We regularly review and refine our governance practices, adapting and strengthening policies and procedures as required to ensure they remain effective. Robust governance and oversight ensure 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, we have organizational flexibility to adapt to the changing needs of industry and government. Our board of directors brings experience, knowledge and leadership to their role of governance. Under the board's governance, our staff leverage their technical expertise and skills to focus on program delivery while being accountable to government. We advise government on agricultural policy and programs, deliver programs effectively and efficiently, and maintain public confidence by adhering to all applicable legislation, directives and guidelines. We also 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). Our 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 translating government direction and expectations into strategy. They provide direction, oversight and advice to the CEO. OMAFRA staff monitor Agricorp's governance and advise the minister as outlined in the Agencies and Appointments Directive.

## 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 on behalf of Agricorp. The MOU also outlines the roles and responsibilities of the board of directors, the chair, the CEO, the minister and the deputy minister.

## Ethical standards

Agricorp is committed to maintaining the highest ethical standards. We follow best practices essential to operating 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.

## Code of Ethics, Oaths of Office and Allegiance

Agricorp has a comprehensive Code of Ethics and Professional Conduct, outlining standards of ethical behaviour that Agricorp expects of its employees and board members. Every year, all employees and board members sign an acknowledgement agreeing to abide by this code and employees receive annual training. The Oaths of Office and Allegiance for new employees reinforce the serious obligations and responsibilities employees have 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, financial transactions, and travel, meal and hospitality expenditures.
- Accountability and governance includes directives on procurement, internal audit and transparency.
- Information and information technology management includes directives on records management, privacy and freedom of information.

When new reporting requirements were introduced last year under the Agencies and Appointments Directive, Agricorp met all obligations and timelines, demonstrating our commitment to transparency and accountability. This included publishing the following information on our website: our business plan, memorandum of understanding and expenses for the board and senior management.

Other general acts and directives we are subject to 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, 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 committees

Two board committees provide oversight and advice to the board.

### **The Finance and Audit Committee:**

- Develops the annual internal audit plan, meets with Ontario Internal Audit and reviews audit reports and how management responds to audit recommendations (Ontario Internal Audit reports to the Finance and Audit Committee)
- Monitors how management assesses, plans and responds to business and emerging risks
- Oversees Agricorp's investment policies for the Production Insurance Fund
- Oversees the financial reporting process
- Reviews and recommends board approval of Agricorp's audited financial statements and the pension fund financial statements
- Oversees the employee pension fund and Agricorp's investment management activities, including periodic reviews of the investment policy statements and ensuring all regulatory requirements are met
- Reviews the annual financial statement audit plan as presented by the Auditor General of Ontario and meets annually with the Auditor General of Ontario.

### **The Governance and Human Resources Committee:**

- Reviews and recommends any changes to Agricorp's mandate and role, reviewing and recommending the MOU between the chair and the minister and annually reviewing and updating corporate governance documents
- Oversees, reviews and makes recommendations on Agricorp's total compensation philosophy, policy and program, ensuring compliance with relevant legislation, policies and directives
- Provides advice on criteria and potential candidates for appointment to the board, and monitors and recommends training and development programs for directors
- Monitors and recommends improvements to the annual assessment of board effectiveness, including committees and individual directors
- Recommends appropriate engagement strategies for key stakeholders with whom the board interacts.



## Board of directors

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.

Board members serve terms of up to three years and may be reappointed. They are agriculture, business and community leaders who bring a broad range of experience and invaluable expertise to the organization's oversight. In 2015–16, Agricorp's board of directors consisted of the following members:



### **Murray Porteous**

Chair (Norfolk County)  
November 18, 2015 –  
November 17, 2018

Murray is currently a partner in Lingwood Farms Ltd. in Norfolk County. Murray served as board chair of a number of agriculture industry organizations, including the Ontario Fruit and Vegetable Growers' Association, the Ontario Agricultural Commodity Council, the Canadian Horticultural Council and the Agricultural Research Institute of Ontario. Murray attended the University of Guelph and graduated with a bachelor of science degree in agriculture business.



### **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.



### **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.



### **Anna Bragg**

(Durham Region)  
May 27, 2015 –  
May 26, 2018

Anna is part owner of Bragg Custom Farming Ltd. and Bragg's Wild Bird Seed in eastern Ontario. She has extensive experience as a grain and oilseed producer and is a graduate of the Advanced Agricultural Leadership Program. She has served on a number of industry boards, including the Ontario Corn Producers' Association, of which she later became president, and both the Grain Growers of Canada and the Canada Grains Council board of directors. Anna is also a registered nurse and maintains a private, part-time practice.

Board of directors



**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.

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**Gino Cozza**

(Peel Region)

August 7, 2013 –

July 3, 2015

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.

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**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.



**Carolyn Fuerth**

(Essex County)

August 25, 2015 –

August 24, 2018

Carolyn is a partner in Ewe Dell Family Farms in Essex County. She has served on a number of industry boards, including as a founding member and past chair of Ontario Agri-Food Education Inc. and as a member of the Ontario Farm Products Marketing Commission from 2004 to 2012. Her community involvement includes the Ontario Agriculture Hall of Fame. Carolyn has received a Nuffield Scholarship and also served as a board member. Carolyn holds a bachelor of science degree from the University of Guelph and is also a graduate of the Advanced Agricultural Leadership Program.

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**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.


**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.


**James Rickard**

(Woodview)

August 25, 2015 –

August 24, 2018

James (Jim) is part owner and operator of Ceresmore Farms Ltd. in Durham County. Jim is a former chair of the Ontario Broiler Hatching Egg & Chick Commission, retiring from this position in 2014. Previously, he served as director, vice chair and chair of the Agricultural Adaptation Council, chair of the Ontario Apple Growers, chair of the Agriculture, Food and Rural Affairs Appeal Tribunal, and director, vice chair and chair of the Ontario Processing Vegetable Growers. Jim holds a bachelor of science degree in agriculture (crop science) from the University of Guelph and received a Nuffield Scholarship.


**Marshall Schuyler**

(Norfolk County)

May 27, 2015 –

May 26, 2018

Marshall is one of the owner operators of Schuyler Farms Limited, which produces apples, processing tart cherries, grain, corn, soybeans and lamb. He is

president of the Norfolk Fruit Growers' Association and a member of the board of directors of CherrCo and Cherry Central, both U.S.-based cherry marketing organizations. He is also a past director of the Ontario Processing Vegetable Growers board. He holds a bachelor of science degree in agriculture from the University of Guelph.


**Harry Stoddart**

(Kawartha Lakes)

May 30, 2012 –

May 29, 2018

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-Caradoc)

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

## Delivering reliable risk management



Agriculture is a unique industry with unique challenges. Farmers face a wide range of risks from unpredictable weather and pests to fluctuating market prices. Whatever the risk, producers need to be ready with a solid risk management strategy. That's where Agricorp comes in. We deliver reliable risk management to help producers deal with the challenges they face every day.

Unpredictable weather is often the major difference between an excellent crop and a catastrophic loss. Sometimes a single weather event on a single day can cause unrecoverable damage. That's when risk management programs can help by giving producers dependable coverage when they need it.

### **Responding when needed**

The 2015 growing season saw variable results – from record yields for corn and soybeans to excessive damage for apples and grapes. Two extremely cold winters back-to-back left their mark on apple trees and grape vines, many of which succumbed to winter freeze injury in 2015. Agricorp employees responded by attending industry meetings, counting thousands of trees and vines, and keeping producers informed about their coverage along the way. Despite the high volume of claims, producers received the service they needed during a difficult situation.

When producers in Essex County struggled to plant soybeans due to a very wet spring, Agricorp, in consultation with industry, extended the planting deadline by one week. This is another example of how we collaborate with industry and work with producers to ensure programs remain responsive and relevant.

### **Improving programs and services**

Keeping programs relevant remains one of our key objectives. Last year, we worked closely with commodity groups and government partners to expand our Production Insurance options, adding a new bee mortality plan, a new flax plan, and enhancing the plans for strawberries and cucumbers.

But program relevance is just part of the equation. The customer experience is equally important and we continue to improve our customer service options. We introduced a new email notification service, delivering timely program information and reminders right to customer inboxes. We made ongoing enhancements to online services, adding more electronic program documents and reporting options. And we continued to promote the convenience of direct deposit for program payments. These service enhancements, combined with simplified forms and reduced paperwork, contributed to another key objective: making it easier for customers to do business with us.

Also throughout the year, we focused on operational efficiency and effectiveness. That meant running our day-to-day business economically with fewer resources, and being attentive to productivity. Last year, we successfully met our file processing targets, streamlining processes and reducing costs. We made good progress in ongoing efforts to improve our technology, completing the integration of accounting

These results validate our position as the delivery agent of choice for agricultural programs in Ontario.

services for some program delivery systems. This work has facilitated program delivery for staff, who now have easier access to each customer's complete financial information. It also paves the way for future work to complete standardizing invoices and payment summaries across all programs.

One of our larger initiatives was a thorough review of our Production Insurance processes, which identified ways to streamline workflows and enhance our delivery. These process enhancements will also inform the requirements of a new Production Insurance administration system, which will be implemented in stages over approximately three years.

### **Leveraging strong governance**

All of this work is accomplished with strong governance, solid management and dedicated employees. I would like to thank our outgoing Chair, Larry Skinner for his sound advice and years of service on the board. I would also like to welcome and thank incoming chair, Murray Porteous for his valuable leadership and agricultural expertise. I look forward to working with Murray over the next few years as we continue on our path of continuous improvement. Thanks also to our board of directors for their professionalism, knowledge and ongoing support. And of course, I must thank all the employees at Agricorp and our colleagues at OMAFRA for their continued hard work and commitment.

### **Looking ahead**

We had a successful year. Customers continue to rate us highly in our annual customer satisfaction survey. When Ipsos Reid Loyalty surveyed 600 customers in January, 91 per cent said we perform the same as or better than other organizations they deal with. Our strongest attributes are getting things done in a reasonable amount of time, operating with the utmost integrity, communicating effectively and doing things right the first time. These results validate our position as the delivery agent of choice for agricultural programs in Ontario.

Looking ahead, we will continue to leverage technology, streamline processes and improve services so we can focus on what we do best: delivering reliable risk management. We are committed to ongoing collaboration with government and industry to meet their changing needs and maintain their confidence. We are focused on being ready and well-positioned to respond to whatever the future holds. And we will continue to put our customers at the centre of everything we do.

### **Doug LaRose**

Chief Executive Officer

## Programs and services

Ontario is one of the most diverse agricultural regions in the country, producing more than 200 commodities over 12.6 million acres of agricultural land<sup>3</sup>. 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.

3. Statistics Canada, Census of Agriculture, 2011



Today’s farmers use a range of tools, technology and farm management practices to maximize profits and minimize risks. But some risks are beyond their control, such as weather, disease, market prices and production costs. To help manage these risks, Agricorp delivers three core programs: 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, most

customers agree that these 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 and grow their business.

### Different programs cover different risks

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 and long-term stability.

### Program summary at a glance

Program	Participation	Payments	Risks and benefits
<b>AgriStability</b>	<ul style="list-style-type: none"> <li>• 13,800</li> <li>• \$2 billion in reference margin</li> </ul>	\$37.2 million in 2015–16 (for multiple program years)	<p><b>Unexpected large income declines*</b></p> <ul style="list-style-type: none"> <li>• Protects farm income as a whole instead of one commodity at a time</li> <li>• Affordable (\$315 for every \$100,000 of reference margin)</li> </ul>
<b>Production Insurance</b>	<ul style="list-style-type: none"> <li>• 14,300</li> <li>• \$3 billion in liability</li> </ul>	\$97.8 million in 2015–16 (for multiple program years)	<p><b>Low yields and crop loss caused by insured perils</b></p> <ul style="list-style-type: none"> <li>• Coverage based on a guaranteed level of production</li> <li>• Choice of plans and coverage levels for 100 commodities</li> </ul>
<b>Risk Management Program</b>	<ul style="list-style-type: none"> <li>• 9,500</li> <li>• \$100 million per program year for payments and delivery costs</li> </ul>	\$118.4 million in 2015–16 (for multiple program years)	<p><b>Fluctuating commodity prices and general farm losses or expenses</b></p> <ul style="list-style-type: none"> <li>• Helps offset losses caused by low commodity prices and rising production costs (for grains and oilseeds, cattle, hogs, sheep and veal)</li> <li>• Helps mitigate general risks in operating a farm business (for edible horticulture)</li> </ul>

\* Note: Small income declines are covered by AgriInvest, delivered by Agriculture and Agri-Food Canada.

## AgriStability by the numbers

**13,800**

participants in the 2014 program

**\$2 billion**

in reference margin  
(farming income less expenses)

**\$37.2 million**

in program payments, including:

**\$3.4 million**

in interim payments for producers  
in financial distress

**73%**

of customers are satisfied or  
very satisfied with the delivery  
of AgriStability<sup>4</sup>

**67%**

of customers agree that it stabilizes  
farm income<sup>4</sup>

## AgriStability



*Growers of greenhouse fruits and vegetables received \$7 million under AgriStability, the largest share of AgriStability payments for the 2014 program year.*

Agricorp delivers AgriStability on behalf of the federal and provincial governments, who fund the program on a 60:40 basis. 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

Despite a late, slow and wet harvest, the 2014 program year saw most producers achieving good yields and fairly strong commodity prices. Overall, payments were lower than in previous years. Field crop and livestock sectors saw lower payments due to good commodity prices, while the greenhouse sector saw higher payments due to price and cost pressures. Growers of greenhouse fruits and vegetables received total payments of approximately \$7 million, the largest share of payments for the 2014 program year.

4. Ipsos Reid Loyalty Customer Satisfaction Survey, conducted January 4-11, 2016



## Production Insurance



*Damage to apples resulted in \$13.7 million in Production Insurance claims and a claim rate that was 66 per cent larger than the historical average claim rate.*

Agricorp delivers Production Insurance on behalf of the federal and provincial governments, who fund 60 per cent of the premiums on a 60:40 basis. The balance of premiums, 40 per cent, is funded by producers based on a choice of coverage levels and options. Covering approximately 100 commercially produced commodities in Ontario, Production Insurance compensates Ontario producers for yield reductions and production losses caused by perils such as adverse weather, wildlife, pest infestation and disease. Depending on the plan, coverage and payments are based on a total-yield, dollar-value or acreage-loss basis.

### Production Insurance highlights

The 2015 crop year saw very good yields for most crops, including corn, soybeans, and soft red winter wheat, all of which represent more than two-thirds of program liability. The wet spring resulted in high reseed claims, enabling producers to replant and realize strong crop yields. Production Insurance helped grape and apple producers who experienced extremely cold winters in 2014 and 2015, resulting in damage to apple trees and grapevines. Apple yields across the province were also reduced by a spring frost, accounting for 86 per cent of all apple claim dollars for 2015.

The overall claim payment rate for 2015 was three per cent of insured liability, well below the historic rate of nearly six per cent. Premium rates at the overall program level were reduced by 13.1 per cent in 2015 and by 16.4 per cent in 2016, thanks to lower claim rates over the previous years. Premium reductions were calculated to keep the program affordable and sustainable over the long term, benefitting both producers and government.

5. Ipsos Reid Loyalty Customer Satisfaction Survey, conducted January 4-11, 2016

## Production Insurance by the numbers

**14,300**

participants in the 2015 program

**5 million**

acres and \$3 billion in liability

**\$97.8 million**

in total approved claims, including:

**\$36 million**

for excessive rainfall

**\$21 million**

for frost

**\$16.5 million**

in reseed claims

**\$13.7 million**

for apples, a 30% claim rate that exceeds the average of 18%

**\$7.7 million**

for grapes, a 15% claim rate that exceeds the average of 6%

**91%**

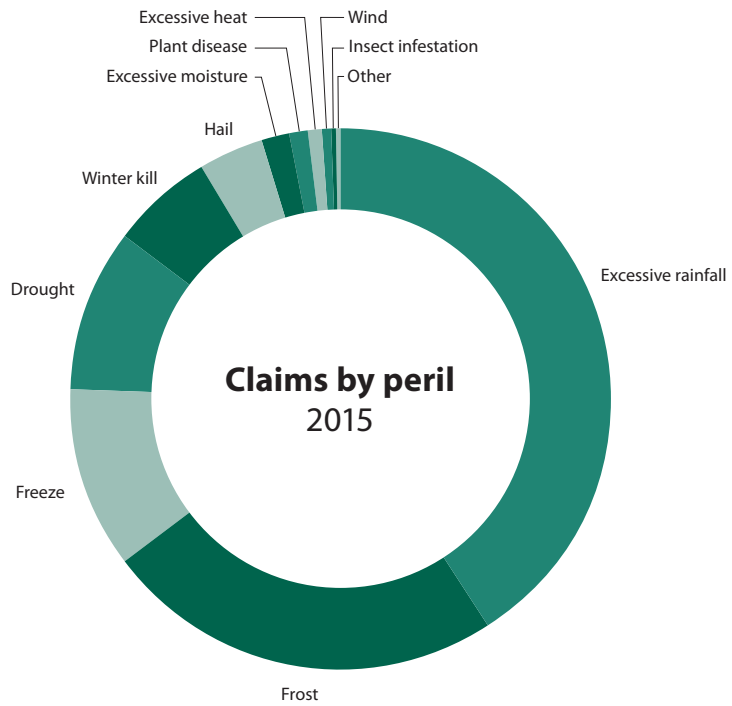
of customers are satisfied or very satisfied with the delivery of Production Insurance<sup>5</sup>

**87%**

of customers agree that it stabilizes farm income<sup>5</sup>

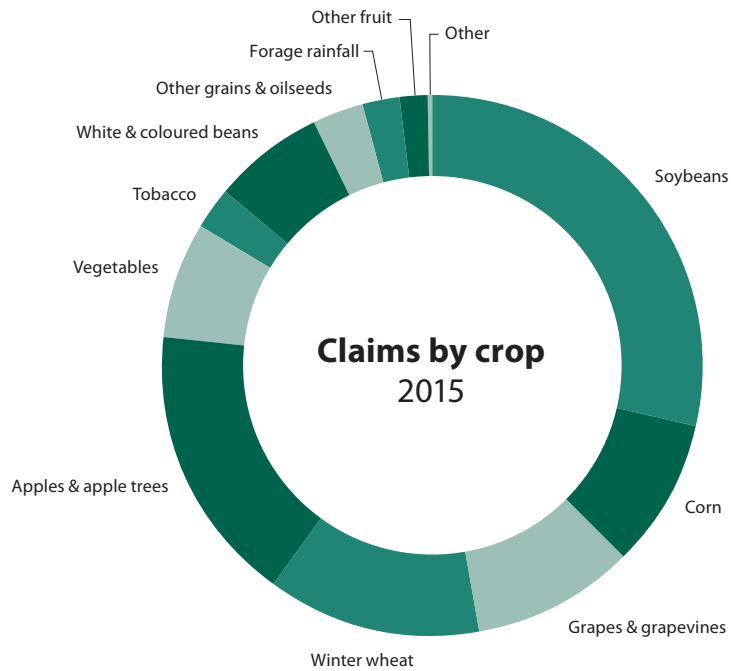
### Claims by peril

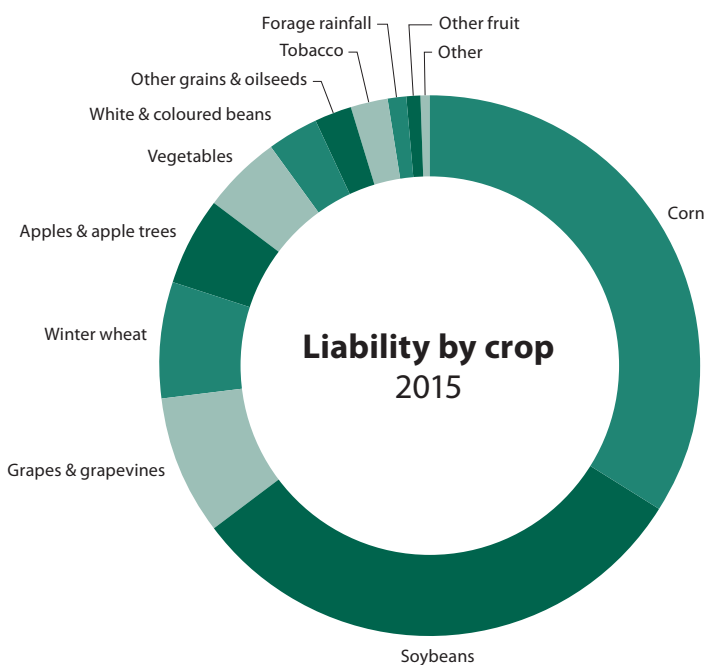
<b>\$35,952,384</b>	Excessive rainfall
<b>\$21,089,896</b>	Frost
<b>\$9,511,717</b>	Freeze
<b>\$8,571,526</b>	Drought
<b>\$5,365,646</b>	Winter kill
<b>\$3,198,383</b>	Hail
<b>\$1,560,800</b>	Excessive moisture
<b>\$1,092,214</b>	Plant disease
<b>\$645,159</b>	Excessive heat
<b>\$397,014</b>	Wind
<b>\$267,554</b>	Insect infestation
<b>\$159,217</b>	Other



### Claims by crop

<b>\$25,130,861</b>	Soybeans
<b>\$8,016,288</b>	Corn
<b>\$8,467,261</b>	Grapes & grapevines
<b>\$11,223,355</b>	Winter wheat
<b>\$14,599,327</b>	Apples & apple trees
<b>\$6,136,217</b>	Vegetables
<b>\$5,882,032</b>	White & coloured beans
<b>\$2,588,961</b>	Other grains & oilseeds
<b>\$2,254,994</b>	Tobacco
<b>\$1,831,260</b>	Forage rainfall
<b>\$1,437,334</b>	Other fruit
<b>\$243,620</b>	Other





### Liability by crop

<b>\$1,013,343,964</b>	Corn
<b>\$910,277,598</b>	Soybeans
<b>\$246,014,711</b>	Grapes & grapevines
<b>\$206,832,985</b>	Winter wheat
<b>\$158,779,181</b>	Apples & apple trees
<b>\$138,252,408</b>	Vegetables
<b>\$88,394,679</b>	White & coloured beans
<b>\$69,181,160</b>	Other grains & oilseeds
<b>\$64,300,217</b>	Tobacco
<b>\$31,850,119</b>	Forage rainfall
<b>\$25,111,724</b>	Other fruit
<b>\$15,411,839</b>	Other

### Ensuring the sustainability of the Production Insurance program

Production Insurance compensates insured customers for production losses by paying 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.

This 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, federal and provincial premiums, and investment earnings.

## RMP by the numbers

**9,500**

producers enrolled in one or more plans in 2015

**\$118.4 million**

in program payments paid in 2015–16 under all six plans (covers multiple program years and excludes delivery costs):

**\$38.8 million**

in livestock payments

**\$22.7 million**

in government funds deposited into SDRM accounts

**\$56.9 million**

for grains and oilseeds

**83%**

of customers are satisfied or very satisfied with the delivery of RMP<sup>6</sup>

**80%**

of customers agree that it stabilizes farm income<sup>6</sup>

6. Ipsos Reid Loyalty Customer Satisfaction Survey, conducted January 4-11, 2016

## Risk Management Program



*The hog and beef sectors received larger RMP payments this year due to a sharp decline in market prices and sustained production costs.*

Agricorp delivers Ontario's Risk Management Program (RMP) on behalf of the provincial government. RMP offers plans for the cattle, edible horticulture, grain and oilseed, hog, sheep and veal sectors. The program helps producers manage risks beyond their control, such as fluctuating costs and market prices. RMP plans for grains, oilseeds and livestock work 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 the program, including delivery costs. Our ability to keep administrative costs down through efficient program delivery means there are more funds available for payments to producers. All RMP premiums paid by producers are remitted to OMAFRA and then transferred to the Farmer's Risk Management Premium Fund, which is overseen by the commodity organizations. This fund is used to provide additional financial support when needed. See Farmer's Risk Management Premium Fund on page 24 for more information.

### RMP highlights

In the 2015 program year, hogs and beef experienced a sharp decline in market prices. Hog and beef producers also saw sustained production costs, resulting in larger RMP payments for these two sectors. Continued low commodity prices for major grain and oilseed crops resulted in pre-harvest payments for grain and oilseed producers. Post-harvest payments are also expected and are issued in the spring.

## Other programs and services

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

**\$2.4 million**

issued to Ontario beekeepers, covering damage to more than 20,000 hives

### **Beekeepers Financial Assistance Program**

This program, announced in response to harsh winter conditions and other pollinator health issues, compensated Ontario beekeepers who lost more than 40 per cent of their hives through either in-season or overwinter losses. 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 delivered the program on behalf of OMAFRA.

In 2015–16, Agricorp issued total payments of \$2.4 million to Ontario beekeepers, covering damage to more than 20,000 hives. This program is now closed. Coverage for overwinter losses is now available through Production Insurance, starting in 2016.



*The data collected from 44,000 registered farm businesses helps the government develop sound public policy.*

### **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. Registered farms may qualify for a lower property tax rate and become a member of the accredited farm organization of their choice. The data collected through FBR 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 2015, almost 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.



*Before issuing licences, Agricorn reviews and inspects grain dealers and elevators to ensure their businesses are viable and in compliance with the *Grains Act*.*

### **Grain Financial Protection Program**

Agricorn delivers the Grain Financial Protection Program on behalf of OMAFRA. This program protects the financial interests of grain corn, soybeans, wheat and canola producers who store their products at licensed elevators or sell their products to licensed dealers. When producers sell their grain, a portion of that sale is deposited into a 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. Agricorn reviews and

licenses dealers and elevators to ensure they are viable businesses. Agricorn also performs a financial analysis of dealers prior to issuing an annual licence and conducts site inspections to ensure dealers and elevators are in compliance with the *Grains Act*. Inspections involve assessing grain inventory levels, gathering additional financial information and investigating non-compliance complaints.

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In 2015–16, Agricorn licensed 283 dealers and 384 elevators across Ontario. The program covered \$2.7 billion in grain sales.

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### **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. For the following five years, Agricorn continued to monitor farms that received funds to ensure they complied with the requirement to keep the land in, or available for, agricultural use for five years. Agricorn used the resources and underwriting processes already in place to complete this work. Final compliance audits for this program were completed in 2015.



*Agricorp delivers two programs under Ontario's Wine and Grape Strategy to help growers and wineries improve their production, innovation and competitiveness.*

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### **Marketing and Vineyard Improvement Program**

Launched in 2015 as part of Ontario's renewed Wine and Grape Strategy, Ontario's Marketing and Vineyard Improvement Program (MVIP) provides grape growers with funds to help with the costs of improving their wine grape production. Participants can receive up to 35 per cent of the cost to make eligible vineyard improvements. Agricorp delivers this program, which replaces the Ontario Vineyard Improvement Program, on behalf of OMAFRA.

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In 2015–16, Agricorp enrolled 60 improvement projects and issued program payments of \$1.2 million.

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In September 2015,

**\$7 million**

in payments issued to  
88 Ontario wineries

### **VQA Wine Support Program**

Launched in 2015 as part of Ontario's renewed Wine and Grape Strategy, the Vintners Quality Alliance (VQA) Wine Support Program supports Ontario wineries in increasing competitiveness and innovation, while promoting the sale of Ontario VQA wines at the Liquor Control Board of Ontario (LCBO). The program provides grants to help wineries invest in growing their VQA wine business, including export and tourism development activities. Agricorp delivers this program in collaboration with OMAFRA and partner organizations.

In September 2015, Agricorp issued program payments of \$7 million to 88 Ontario wineries.

## Services to industry

Leveraging our people, systems, data and infrastructure, Agricorp provides a number of services to industry and commodity groups to support and enable an innovative, competitive and sustainable agri-food sector.



*In partnership with industry, Agricorp uses web-based data management and GPS technology to measure, map and capture agronomic information for grapes, apples and tender fruit.*

### Data management services (DMS)

In partnership with the Grape Growers of Ontario, Ontario Apple Growers and the Ontario Tender Fruit Growers, Agricorp uses web-based data management and GPS technology to accurately measure and map vineyards and orchards for Production Insurance. DMS captures agronomic information for grapes, apples and tender fruit, such as plant inventory, variety, age, yield and quality. The fruit industry can leverage this information to more effectively implement their own initiatives, including research and marketing. For example, the information in DMS is used by apple and tender fruit growers to support their on-farm food

safety initiative, Fruit Tracker, a web-based system that helps manage traceability, inventory, pest management and irrigation.

### Financial services, analysis and communication support

Agricorp provides a variety of services and support to the Farmer's Risk Management Premium Fund, the Grain Financial Protection Board and the Dairy Farmers of Ontario.

### Farmer's Risk Management Premium Fund

Agricorp provides payment management, customer service, communications and reporting services to the 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 are made: Grain Farmers of Ontario, Beef Farmers of Ontario, Ontario Pork, Ontario Sheep Marketing Agency and Veal Farmers of Ontario. Agricorp prints and mails cheques from the fund on behalf of commodity groups.

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In 2015–16, Agricorp processed 5,619 payments totalling \$8.7 million from the premium fund.

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In 2015–16, Agricorp analyzed 57 dairy processing plants that purchase

**\$2 billion**

worth of milk from Ontario producers each year

### **Grain Financial Protection Board (GFPB)**

Agricorp provides financial services to the GFPB, a trust agency that administers four grain funds established under the *Farm Products Payments Act*. Their mandate is to administer funds, investigate claims, grant or refuse claim payments and recover any money to which they are entitled. Agricorp supports claim adjudication and manages check-off fees through reporting, investment and annual audit support.

### **Dairy Farmers of Ontario**

Under contract with the Dairy Farmers of Ontario, Agricorp helps protect the financial interests of milk producers by analyzing the financial statements of Ontario's dairy processors. In 2015–16, Agricorp analyzed the quarterly and annual financial statements of 57 dairy processing plants that purchase more than \$2 billion worth of milk from Ontario producers each year.

### **Verification and mapping services**

Agricorp provides a variety of mapping, measurement and verification services to commodity groups,

industry and non-profit organizations to support agricultural and conservation initiatives.

We provide mapping and verification services to support the Alternative Land Use Services (ALUS) program, which compensates producers for removing environmentally sensitive land from agricultural production.

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In 2015–16, Agricorp validated 50 producer projects.

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We also measure, map and provide acreage information for various commodities, such as ginseng, to support agricultural research, understanding and innovation.

### **Secretariat services**

Agricorp provides secretariat services and other support for the Grain Financial Protection Board and the Business Risk Management Review Committee.

### **Grain Financial Protection Board (GFPB)**

To support the GFPB in their administration of the grain funds, Agricorp coordinates and supports board meetings; facilitates board appointments; develops process, policy and issues documents; and develops and coordinates all board governance materials.

### **Business Risk Management Review Committee (BRMRC)**

The BRMRC reviews appeal requests from customers who disagree with an Agricorp decision regarding their AgriStability or RMP file. Agricorp schedules panel meetings and hearings and manages requests for French language and communication services.

## Management discussion and analysis



Unpredictable weather, volatile markets and legislative changes are some of the factors farmers deal with on a regular basis. Our job is to help our customers meet challenges and manage risk in an ever-changing environment.

### **Unpredictable weather**

For many, the weather in 2015–16 provided a reprieve after two successive cold winters. Following an extremely cold winter, temperatures in April 2015 were cooler than normal, creating a slow start to the spring. Conditions improved in May with near optimal planting conditions followed by an extremely wet June. Most of southern Ontario and part of eastern Ontario received more than 200 per cent of normal rainfall over the month. The rest of the summer and early fall progressed well, with ideal harvest conditions in November that saw most growers successfully completing their harvest.

Fruit growers in many areas faced some challenges. Temperatures that repeatedly fell below thresholds throughout the winter of 2015 affected all three

grape-producing regions of the province, causing damage to buds and grapevines. Cold temperatures and frost in May also caused damage to grapes, strawberries, tender fruit and apples. In Norfolk County, some apple producers lost their entire crop.

By contrast, most grain and oilseed producers reported above average yields. The province saw record yields for corn and sugar beets. In Chatham-Kent, some farmers reported corn yields of more than 250 bushels per acre, far surpassing the area's historical average yield of 187 bushels per acre. Fall 2015 also brought optimal planting conditions for winter wheat. Agricorp customers planted about 800,000 acres, up from 460,000 acres planted in the fall of 2014.

Some farmers reported  
corn yields of more than  
**250 bushels**  
per acre

### Volatile markets

Volatile markets are another reality affecting the business of agriculture. For some commodities, global market prices dropped sharply in the fall of 2015 and have continued to trend downward. With many commodities being priced in U.S. dollars, the lower Canadian dollar helped to mitigate this trend, by keeping commodity prices fairly stable for many Ontario producers.

### Legislative changes

Changing government policies and legislation resulted in new practices and new opportunities for both Ontario producers and Agricorp. As a delivery agent, Agricorp responds to these changes and any impact they may have on our program delivery and our customers' operations.

In July 2015, new regulations came into effect as part of the province's Pollinator Health Strategy that restrict the sale and use of neonicotinoid-treated corn and soybean seed. These changes don't affect the programs we deliver, but they do affect our customers, starting with the 2016 crop year. We ensured staff were informed and prepared to answer any questions from producers about our programs and their coverage. As is our standard practice with all industry changes, we will monitor the situation and assess any impact to ensure our programs remain relevant and effective.

When the new *Agricultural Products Insurance Act* replaced the former *Crop Insurance Act* in September, we were able to extend Production Insurance coverage beyond crops and offer a new bee mortality plan.



*Agricorp meets regularly with producers at industry meetings and farm shows to understand their needs and explain how programs can help.*

### Agricorp's role

In addition to providing first-rate program delivery, Agricorp's role is to follow program guidelines, support government directives and align with policy decisions. We operate within strict funding levels that demonstrate our commitment to fiscal responsibility. We work closely with industry groups to ensure our program delivery is aligned with current needs and trends. We seek to understand industry needs in a changing environment. We communicate regularly with producers to explain how programs work and help them clearly understand their options and responsibilities. Our delivery expertise, industry knowledge and customer-focused approach are key to providing the best possible customer experience.

### It starts with a plan

How we operate starts with a robust strategic plan supported by timely, transparent reporting. The board of directors develops the plan in collaboration with their government partners, and we publish it on our website to ensure full transparency. Our planning process draws on our understanding of the current

agriculture industry, a detailed risk assessment, government expectations and our customers' needs.

The plan articulates our strategic direction and priorities for a three-year period. It includes clear performance metrics for our daily 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 through monthly, quarterly and issue-specific updates throughout the year. We also submit an annual report to the minister. Timely and transparent reporting ensures we deliver on our commitments.

Our 2015–18 strategic plan focused on three clear themes:

- Efficient and effective operations that continue to demonstrate value-for-money
- Making it easier to do business with Agricorn by improving processes, structures and systems
- Being open for business with relevant programs and services that reduce the burden on producers when doing business with government

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Agricorn has made good progress on our strategic plan. The following pages highlight the actions we've taken to implement our plans and achieve results for 2015–16.

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### **Efficient and effective operations**

We continued to improve our operational efficiency and effectiveness by integrating program administration systems, streamlining business processes and reducing costs. With the government's focus on fiscal restraint, we are continually fine-tuning our program delivery and services to stay within allocated funding.

### **Integrating administrative and financial systems**

We have made advancements integrating our program administration and financial systems across programs. We completed the work started last year to consolidate customer level financial transactions for AgriStability and RMP for livestock, allowing us to standardize payment summaries for these programs and send customers personalized AgriStability forms earlier. This ongoing work will continue in phases into 2016–17.

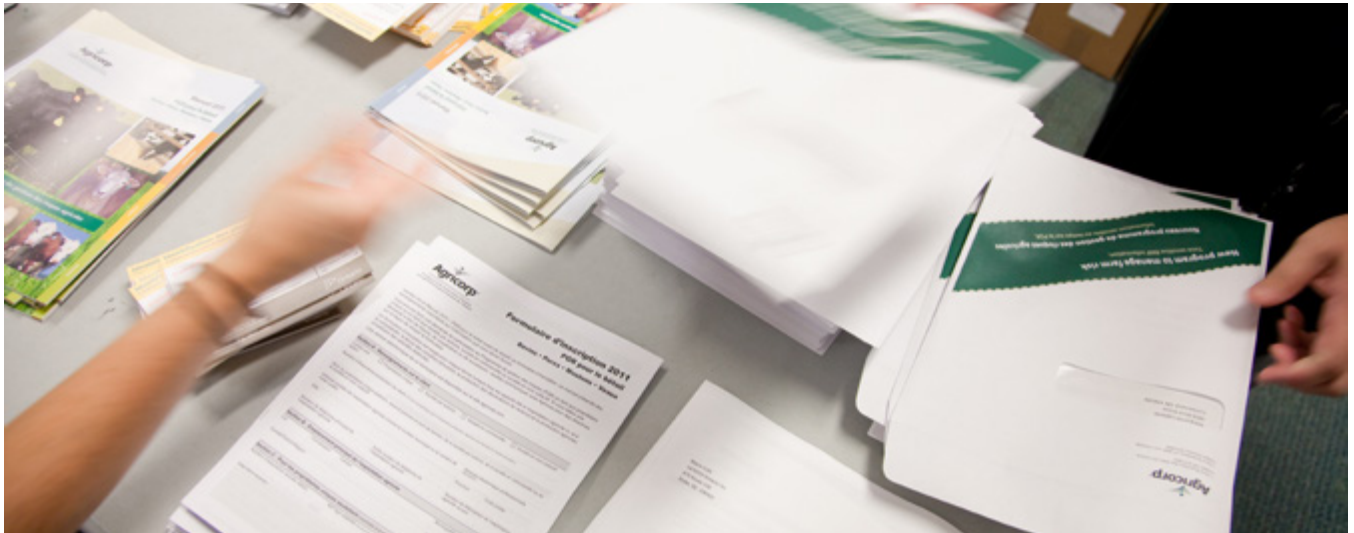
### **Reviewing our Production Insurance processes and system**

In 2015, we completed a thorough review of the workflows and processes to deliver Production Insurance. The review identified recommendations for modernizing and streamlining processes across the organization to improve customer service and the quality and efficiency of our program delivery. These recommendations will inform the selection of new technology to replace our Production Insurance administration system. At 24 years of age, our current system has become increasingly difficult and expensive to maintain. We are in the process of evaluating different vendor options and will choose a solution in the summer of 2016. With the required investments from both levels of government, the new system will be implemented in stages over the next two to three years.

### **Cost savings**

In our continuing efforts to reduce costs, we have implemented a number of technology enhancements and restructured our leasing arrangements.

In May 2015, we implemented a new telephony system in our call centre, gaining more features and better service for customers with less cost. The new system has demonstrated greater reliability and efficiency than our previous system. It also gives customers the added convenience of new options and better call routing.



Customers can choose to do business with us by phone, mail, email, online and face-to-face. Last year, we handled 112,000 pieces of incoming mail and mailed out 271,000 customer forms packages.

Since launching direct deposit in March 2015, 23 per cent of program payments were issued electronically, saving us time and reducing the cost of printing and mailing cheques.

In addition, we negotiated long-term leases for our office facilities at more favorable rates, resulting in annual cost savings of \$350,000.

### Day-to-day operations

We interact with hundreds of customers every day through multiple channels – by phone, mail, email, online and face-to-face. Our personalized customer-focused approach seeks to provide customers with consistent, reliable and high-quality service. We want our customers to fully understand their coverage choices, service options and program obligations to ensure their farm business needs are always met.

On a daily basis, we handle more than 1,000 customer interactions and business transactions. These include enrolling producers in programs, renewing coverage,

mailing invoices, processing receipts, handling damage reports, adjudicating claims, answering questions and issuing payments. Our employees are held to high performance standards and receive ongoing training to develop their skills and knowledge.

Dealing with such a large volume of transactions and complex files, mistakes sometimes happen. When they do, we take immediate steps to make corrections, inform customers and increase our quality control measures and processes. We are fully committed to quality and transparency when dealing with customers.

### A summary of daily transactions for 2015–16

This year, Agricorp handled 133,000 incoming and outbound phone calls and 13,000 email and fax inquiries. We handled 112,000 pieces of incoming mail and printed and mailed 271,000 customer forms packages. We received almost 12,000 damage reports, adjudicated 8,164 Production Insurance claims and issued \$264 million in total program payments. We had more than 180,000 interactions with customers over the phone, by email and in person. Highly skilled employees, combined with technology enhancements and clear business processes, allow us to handle this volume of work consistently and accurately every day.

## Making it easier to do business with Agricorp

This continues to be an important focus for us. Last year, we made it easier for customers to do business with us by offering simplified forms, less paperwork and more service options, such as email notification, direct deposit and enhanced online transactions. This means more time for customers to focus on farming, plus the ease of doing business with us when it's convenient for them.

### **Simplified forms, less paperwork**

In 2015–16, we made significant improvements to AgriStability forms and processes. Producers found the new streamlined form easier to complete as it reduced the amount of information requested. Almost 70 per cent of AgriStability reports were submitted online, where added checks and balances encouraged more complete reporting. Enhanced profile questions also yielded more accurate explanations, reducing the need for staff to make follow-up calls.

We gave producers online access to their personalized AgriStability forms three months earlier, which was of particular benefit to producers with an off-calendar year end. We also introduced a new personalized online form for customers who participate in AgriInvest, simplifying the submission process and saving them considerable time.

### **Email notification service**

In June 2015, we rolled out an automated email notification service for customers, who are now receiving timely and tailored messages about the programs they participate in. This includes program date reminders, confirmation of online transactions

and notifications when new program documents are available for viewing online. Agricorp issued 30,000 email notifications in 2015–16.

### **Easier program payments with direct deposit**

After launching direct deposit in March 2015, we continued to promote its benefits, so customers could enjoy fast, convenient access to program payments deposited directly in their bank accounts. To date, more than 4,000 customers have signed up for this service. Agricorp has issued close to 7,000 program payments totalling \$78.4 million electronically, saving customers thousands of trips to the bank and giving them access to funds several days faster than before.

### **Enhanced online services**

Agricorp has continued to enhance our online services, giving customers secure, round-the-clock access to submit forms, report acres or sales, view documents or update their business profiles. In 2015–16, several new documents were added to online services for Production Insurance customers, including coverage confirmations for most crops, renewal notices for fall-seeded crops and premium notices for processing crops.



*More and more customers are choosing online services. Last year, close to 14,000 program reports and forms were submitted online, including about 70 per cent of AgriStability forms.*

We promoted the benefits of online acreage reporting and added a new shortcut tool, giving producers easier access to report their grain and oilseed acres online. We also extended online acreage reporting to sugar beet producers. In May, a record 2,685 acreage reports were submitted online for spring-seeded grains and oilseeds, a 30 per cent increase over the previous year. In all, close to 14,000 forms, acreage reports and livestock sales were submitted online.

Almost 1,000 people registered for online services last year, bringing the total number of registered users up to 7,400, or approximately 40 per cent of our potential user base.



We continue to enhance our service options and to promote the convenience and benefits of online reporting, direct deposit and email notification.

## Open for business

Being open for business means supporting government priorities and keeping programs relevant for producers. We do this by maintaining strong relationships with a broad range of key external stakeholders. We actively seek input from our government partners, industry and commodity groups when working on program development and enhancements. In 2015–16, we introduced new plans and plan changes for Production Insurance in collaboration with industry.



*The new bee mortality plan covers overwinter losses due to adverse weather, disease and pests. More than 13,000 colonies were covered in the plan's first year.*



*In response to increased market demand and production, we developed the new Production Insurance plan for flax, which covered more than 4,000 acres in its first year.*

### **New bee mortality plan added to Production Insurance**

With changes to provincial legislation, Production Insurance can now be extended beyond crops to many different agricultural products. Agricorp worked with OMAFRA and the Ontario Beekeepers' Association to launch the new bee mortality plan. Announced in September 2015, this is the first Production Insurance plan in Ontario to cover a commodity other than crops and perennial plants. Like other provincial bee mortality plans, this plan covers overwinter losses due to adverse weather, disease and pests. Coverage is available to Ontario beekeepers who operate 50 or more registered hives, extending their risk management toolkit and

putting them on equal footing with producers in other provinces. In the plan's first year, 35 beekeepers participated, covering just over 13,000 colonies. In developing the bee mortality plan, Agricorp worked with OMAFRA's Animal Health and Welfare Branch to align underwriting requirements with good farm management practices for beekeepers.

### **New Production Insurance plan for flax**

Due to agronomic issues with growing canola and increased market demand for flax, many canola growers have switched to growing flax. In response, Agricorp implemented a new Production Insurance plan for flax, starting with a pilot in the 2015 crop year. We collaborated with local grower associations, the



We collaborated with local grower associations, the Grain Farmers of Ontario, and the Ontario Soil and Crop Association to develop the Production Insurance plan for flax, which covered more than 4,000 acres and \$900,000 in liability for 2015.

Grain Farmers of Ontario, and the Ontario Soil and Crop Association to develop the plan, which covered more than 4,000 acres and \$900,000 in liability for 2015.

#### **Overwinter coverage added to strawberry plan**

After adding coverage for day-neutral strawberries for the 2015 crop year, Agricorp continued to enhance the Production Insurance plan for strawberries. Working with the Ontario Berry Growers Association, we enhanced the plan for 2016 to provide overwinter coverage for all strawberry varieties.

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Plan enhancements have resulted in a 25 per cent increase in customer enrolment for 2016.

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#### **Enhancements to processing cucumber plan**

Agricorp has continued to enhance the Production Insurance cucumber plan to reflect the different harvest methods: hand pick and machine harvest. With ongoing expansion of machine harvesting, we engaged the Ontario Processing Vegetable Growers Association to ensure the plan corresponds to current industry practices and risk profiles. After separating premium rates by harvest type for 2015, we are now adding new features for the 2016 crop year to align machine harvest cucumbers with the features of a

true processing crop plan, increasing its relevance and value for the industry.

#### **Separate plans for oats, barley and adzuki beans**

To recognize the different yield potential and crop value, Agricorp launched new Production Insurance plans for oats, barley and adzuki beans. Previously, oats and barley were insured only under the spring grains plan and adzuki beans were insured only under the plan for Japan/other beans. Producers can now choose from the existing group plans or the new crop-specific plans, selecting coverage tailored more closely to their needs. The new plans, system updates and business processes will be implemented for the 2016 crop year.

#### **More choice for the unseeded acreage benefit**

Both Production Insurance and the Risk Management Program (RMP) provide the unseeded acreage benefit (USAB), which compensates producers who are not able to plant due to weather or other insured perils. In the past, USAB payments were based on the producer's dominant crop from the previous year. Starting in 2016, producers can now select their dominant crop annually, obtaining coverage more relevant to their operation. In addition, we are now collecting a USAB premium from producers enrolled in RMP: Grains and Oilseeds. Both of these changes were supported by industry groups.





## Customer satisfaction is high

Agricorn employees are highly committed to Agricorn and to our customers. According to our 2015 employee engagement survey, 89 per cent of respondents go above and beyond to help Agricorn succeed and 90 per cent always look for opportunities to improve the way things are done.

Every year, a market research firm surveys a number of Agricorn customers representing a cross-section of farming operations enrolled in our programs. According to the latest survey completed in January 2016, overall satisfaction with Agricorn remains high. When asked how Agricorn compares to other companies they deal with, 91 per cent of survey respondents said we perform the same or better. Our strongest attributes are “getting things done in a reasonable amount of time” and “operating with the utmost integrity.” We also scored high marks for communicating effectively and doing things right the first time.

These results speak to the concerted effort we’ve made to improve our delivery and the quality of our customer service. Being efficient and effective, making it easier for customers to do business with us and keeping programs relevant – these objectives will continue to be at the forefront as we carry on our mandate to connect producers with programs.

## 2015–16 Performance targets and results

Targets	Results
<p><b>Achieve a consistently high overall customer service rating equal to the previous three-year average.</b></p>	<p>In the 2016 customer satisfaction survey, Agricorp’s overall performance rating was 3.66*, which is above the previous three-year average of 3.54*.</p>
<p><b>Process 95 per cent of AgriStability files by November 30, 2015.</b></p>	<p>Agricorp processed 95 per cent of the 2014 AgriStability files by November 26, 2015.</p>
<p><b>Process Production Insurance claims within 20 business days of receipt.</b></p>	<p>The average processing time for Production Insurance claims in 2015–16 was 7.2 days.</p>
<p><b>Process 95 per cent of RMP payments within 60 days of receipt of all required information.</b></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><b>Provide quality processing of AgriStability files by reducing the number of amendments by two per cent over the previous year.</b></p>	<p>The number of AgriStability file amendments for the 2013 program year was reduced by 38 per cent, with 134 amendments, compared to 216 amendments for the 2012 program year.</p>
<p><b>Provide quality processing of Production Insurance files with an error rate of less than two per cent.</b></p>	<p>The error rate was zero per cent for Production Insurance files.</p>
<p><b>Provide quality processing of RMP files with an error rate of less than two per cent.</b></p>	<p>The error rate was zero per cent for RMP files.</p>
<p><b>Complete annual Chair and CEO attestation, as required, for compliance with applicable legislation, directives and policies.</b></p>	<p>Agricorp refined its compliance oversight processes. Agricorp completed the Chair and CEO attestation for 2015–16 on April 6, 2016, as requested by the Government of Ontario and in compliance with the Agencies and Appointments Directive.</p>

Targets	Results
<b>Submit a three-year business plan, which includes a budget and risk management plan, to the minister by March 1, 2016.</b>	Agricorp's 2016–19 business plan was submitted to the minister on February 29, 2016.
<b>Provide sound and balanced operational performance and financial reports to OMAFRA quarterly.</b>	Operational and financial reports were provided to the ministry on a monthly and quarterly basis.
<b>Submit an annual report to the minister within 120 days of Agricorp's year end.</b>	Agricorp's 2014–15 annual report was submitted to the minister on July 29, 2015, 120 days after year end.
<b>Ensure a comprehensive audit control framework is monitored annually by Agricorp's board of directors.</b>	The annual audit control framework was developed, implemented and monitored.
<b>Achieve a mean customer satisfaction survey rating of 3.50 or higher for Production Insurance.</b>	In the 2016 customer satisfaction survey, Production Insurance received a rating of 4.31. **
<b>Achieve a mean customer satisfaction survey rating of 3.50 or higher for AgriStability.</b>	In the 2016 customer satisfaction survey, AgriStability received a rating of 3.83. **
<b>Achieve a mean customer satisfaction survey rating of 3.50 or higher for RMP.</b>	In the 2016 customer satisfaction survey, RMP received a rating of 4.10. **

\* 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 Agricorp and annually reviews the financial statements.

These financial statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian Public Sector Accounting Standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

**Doug LaRose**

Chief Executive Officer

**Erich Beifuss**

Chief Financial Officer

June 27, 2016



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, 2016, and the statements 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, 2016 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 27, 2016

  
Susan Klein, CPA, CA, LPA  
Assistant Auditor General

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## Statement of financial position

As at March 31, 2016 with comparative information for 2015

(In thousands of dollars)	General Fund	Production Insurance	2016	2015
<b>Assets</b>				
Cash	\$ 2,883	\$ 20,609	\$ 23,492	\$ 2,213
Investments (note 5)	2,469	862,687	865,156	830,235
Accounts receivable (note 4)	3,621	4,866	8,487	12,015
Funds under administration (note 3)	91,865	–	91,865	78,609
Prepaid expenses	670	–	670	706
Accrued pension asset (note 11)	8,014	–	8,014	6,979
Capital assets (note 6)	812	–	812	1,138
<b>Total assets</b>	<b>\$ 110,334</b>	<b>\$ 888,162</b>	<b>\$ 998,496</b>	<b>\$ 931,895</b>
<b>Liabilities and fund balances</b>				
Accounts payable and accrued liabilities	\$ 5,927	\$ 8,216	\$ 14,143	\$ 5,982
Unearned premiums and revenue (note 9)	3,993	23,418	27,411	19,671
Provision for claims	–	4,170	4,170	4,241
Funds under administration (note 3)	91,865	–	91,865	78,609
<b>Total liabilities</b>	<b>101,785</b>	<b>35,804</b>	<b>137,589</b>	<b>108,503</b>
Fund balances	8,549	845,606	854,155	810,041
Accumulated remeasurement gains	–	6,752	6,752	13,351
<b>Total liabilities, fund balances and accumulated remeasurement gains</b>	<b>\$ 110,334</b>	<b>\$ 888,162</b>	<b>\$ 998,496</b>	<b>\$ 931,895</b>

### Commitments and contingencies (note 12)

See accompanying notes to financial statements

Approved on behalf of the Board

**Murray Porteous**

Board Chair

**Rod Stork**

Finance and Audit Committee Chair



## Statement of operations and fund balances

Year ended March 31, 2016 with comparative information for 2015

(In thousands of dollars)	General Fund	Production Insurance	2016	2015
<b>Revenue</b>				
Funding – Ontario (note 8)	\$ 19,789	\$ 30,676	\$ 50,465	\$ 55,577
Funding – Canada (note 8)	19,111	46,032	65,143	71,396
Premiums from producers	–	50,631	50,631	57,765
Sales, consulting and other services	844	–	844	844
Investment income	51	18,233	18,284	20,142
<b>Total revenue</b>	<b>39,795</b>	<b>145,572</b>	<b>185,367</b>	<b>205,724</b>
<b>Expenses</b>				
Claims	–	97,804	97,804	85,601
Reinsurance (note 10)	–	3,699	3,699	9,219
Administration (note 15)	39,706	–	39,706	40,935
Bad debts	–	44	44	12
<b>Total expenses</b>	<b>39,706</b>	<b>101,547</b>	<b>141,253</b>	<b>135,767</b>
Excess of revenue over expenses	89	44,025	44,114	69,957
Fund balances, beginning of year	8,460	801,581	810,041	740,084
<b>Fund balances, end of year</b>	<b>\$ 8,549</b>	<b>\$ 845,606</b>	<b>\$ 854,155</b>	<b>\$ 810,041</b>

### Related party transactions (note 13)

See accompanying notes to financial statements

## Statement of remeasurement gains and losses

Year ended March 31, 2016 with comparative information for 2015

(In thousands of dollars)	2016	2015
<b>Accumulated remeasurement gains, beginning of year</b>	\$ 13,351	\$ 13,454
Unrealized (losses) gains on investments	(5,653)	254
Realized (gains) reclassified to the statement of operations and fund balances	(946)	(357)
Net change for the year	(6,599)	(103)
<b>Accumulated remeasurement gains, end of year</b>	<b>\$ 6,752</b>	<b>\$ 13,351</b>

*See accompanying notes to financial statements*

## Statement of cash flows

Year ended March 31, 2016 with comparative information for 2015

(In thousands of dollars)	General Fund	Production Insurance	2016	2015
<b>Cash provided by operating activities</b>				
Excess of revenue over expenses	\$ 89	\$ 44,025	\$ 44,114	\$ 69,957
<b>Items not requiring an outlay of cash</b>				
Realized (gains) on investments	–	(946)	(946)	(357)
Amortization of capital assets	885	–	885	1,527
<b>Total</b>	<b>974</b>	<b>43,079</b>	<b>44,053</b>	<b>71,127</b>
<b>Changes in non-cash working capital</b>				
Accounts receivable	40	3,488	3,528	1,819
Prepaid expenses	36	–	36	43
Accrued pension asset	(1,035)	–	(1,035)	(621)
Accounts payable and accrued liabilities	164	7,997	8,161	(722)
Unearned premiums and revenue	(410)	8,150	7,740	(3,054)
Provision for claims	–	(71)	(71)	(2,259)
<b>Total</b>	<b>(1,205)</b>	<b>19,564</b>	<b>18,359</b>	<b>(4,794)</b>
<b>Investing activity</b>				
Net proceeds (purchase) of investments	2,268	(42,842)	(40,574)	(65,371)
<b>Capital activity</b>				
Purchase of capital assets	(559)	–	(559)	(829)
Increase in cash	1,478	19,801	21,279	133
<b>Cash, beginning of year</b>	<b>1,405</b>	<b>808</b>	<b>2,213</b>	<b>2,080</b>
<b>Cash, end of year</b>	<b>\$ 2,883</b>	<b>\$ 20,609</b>	<b>\$ 23,492</b>	<b>\$ 2,213</b>

See accompanying notes to financial statements

# Notes to the financial statements

Year ended March 31, 2016 with comparative information for 2015

## 1. Nature of operations

The *AgriCorp Act, 1996* established Agricornp as a provincial crown corporation without share capital on January 1, 1997. As an agency of the Ontario government, Agricornp'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 *Agricultural Products 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 Agricornp on behalf of OMAFRA and the federal government. The rules regarding payments to customers are determined by the programs and in formal agreements with Agricornp. The funds paid out under these programs flow from either the government of Ontario or Canada or both through Agricornp to qualified applicants, and are held in segregated accounts in funds under administration.

### Other

Agricornp 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, Agricornp'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 Agricornp 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). Agricornp 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.

Agricornp follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable, as a result of receipt of goods or services.

Agricornp 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 unused 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. Guaranteed Investment Certificates (GIC) are valued based on cost plus accrued interest, which approximates 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 an 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 liability represents management's estimate of the total cost of Production Insurance claims outstanding at year end. Measurement of this provision is uncertain as all of the necessary information for reported claims is not always available as of the year end date and therefore estimates are made as to the value of these claims.

### 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: 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, and provided financial assistance to eligible Ontario beekeepers that were experiencing unusually high bee hive mortality rates. BFAP was fully funded by Ontario and was a short-term initiative. Effective November 1, 2015, coverage for bee hive mortality is offered under the Production Insurance program for overwinter losses.

**e) Marketing and Vineyard Improvement Program (MVIP)**

The MVIP initiative provides grape growers with funds to help with the cost of improvements related to production of wine grapes. Agricorp began administering this program on behalf of OMAFRA effective April 1, 2015. MVIP is fully funded by Ontario.

**f) Vintners Quality Alliance (VQA) Wine Support Program (VQA-WSP)**

The VQA wine support program provides grants to help wineries invest in growing their VQA wine business, including export and tourism development activities. Agricorp began administering this program on behalf of OMAFRA effective April 1, 2015. This program is fully funded by Ontario.

## g) Other Programs

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

**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% vs. 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 2016	Federal funding	Provincial funding	Other	Payments	Closing balance 2016
AgriStability	\$ 65,946	\$ 24,714	\$ 10,017	\$ 9,521	\$ (37,180)	\$ 73,018
RMP-GO	203	–	56,978	16	(56,941)	256
RMP-LS	2,302	–	40,833	2,041	(38,744)	6,432
RMP-SDRM	6,731	–	21,238	3,622	(22,712)	8,879
GTUP	2,482	–	16	50	(41)	2,507
BFAP	473	–	1,959	(21)	(2,409)	2
MVIP	–	–	2,000	(465)	(1,229)	306
VQA-WSP	–	–	7,000	–	(7,000)	–
Other Programs	472	–	(35)	31	(3)	465
<b>Total</b>	<b>\$ 78,609</b>	<b>\$ 24,714</b>	<b>\$ 140,006</b>	<b>\$ 14,795</b>	<b>\$ (166,259)</b>	<b>\$ 91,865</b>

(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 Programs	590	–	343	(114)	(347)	472
<b>Total</b>	<b>\$ 79,132</b>	<b>\$ 36,077</b>	<b>\$ 91,034</b>	<b>\$ 1,404</b>	<b>\$ (129,038)</b>	<b>\$ 78,609</b>

Included in Other transactions in the tables above are items such as producer fees and premiums, overpayment activity, and changes in program receivables and payables.



#### 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)	2016	2015
Government funding – Canada	\$ 4,886	\$ 9,236
Government funding – Ontario	1,751	1,633
Other	1,980	1,233
	8,617	12,102
Less allowance for doubtful accounts	(130)	(87)
<b>Total</b>	<b>\$ 8,487</b>	<b>\$ 12,015</b>

#### 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

(In thousands of dollars)	2016	2015
<b>Short-term</b>	\$ 617,433	\$ 535,855
<b>Long-term</b>		
Province of Ontario	33,044	82,441
Other provincial governments	73,580	108,070
Provincial utilities	34,400	42,110
Financial institutions	106,699	61,759
	247,723	294,380
<b>Total</b>	<b>\$ 865,156</b>	<b>\$ 830,235</b>

## b) Maturity profile of the investment portfolio

(In thousands of dollars)		2016		2015
< 1 Year	\$	617,433	\$	535,855
1–3 Years		247,723		217,842
4–5 Years		–		76,538
<b>Total</b>	<b>\$</b>	<b>865,156</b>	<b>\$</b>	<b>830,235</b>

## c) Fair value hierarchy

(In thousands of dollars)	Level		2016		2015
Cash and equivalents	1	\$	252,277	\$	249,638
GIC	2		373,508		232,440
Bonds	1		239,371		348,157
<b>Total</b>		<b>\$</b>	<b>865,156</b>	<b>\$</b>	<b>830,235</b>

There were no transfers of investments between Level 1 and Level 2.

## 6. Capital assets

(In thousands of dollars)	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Furniture and fixtures	\$ 1,218	\$ 1,212	\$ 6	\$ 25
Computer hardware	3,847	3,315	532	588
Leasehold improvements	1,955	1,936	19	27
Computer software	13,127	12,872	255	498
<b>Total</b>	<b>\$ 20,147</b>	<b>\$ 19,335</b>	<b>\$ 812</b>	<b>\$ 1,138</b>

## 7. Financial instruments risk management

### a) Market risk

Market risk is the risk that changes in market prices will affect the fair value of reported assets and liabilities. Market factors include three types of risk: interest rate risk, currency risk and equity risk. Agricorp is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments. Agricorp operates within the constraints of the investment guidelines set out by legislation that 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.

### 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 2.45% (2015 – 2.98%). 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. There have been no significant changes from the previous year in the exposure to risk or to policies, procedures and methods used to measure the risk.

### 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 that 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 Minister of Finance, which significantly reduces credit risk.

## 8. 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, BFAP, MVIP and VQA-WSP are funded by Ontario.

## 9. Unearned premiums and revenue

Unearned premiums represent Production Insurance premiums of \$23.4 million (2015 – \$15.3 million) received by Agricorp in the current fiscal year, for which the potential claim may occur after year end. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of \$0.8 million (2015 – \$1.1 million) and other unearned amounts of \$3.2 million (2015 – \$3.3 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 2015 Production Insurance claims in excess of \$475 million to a maximum of \$564 million (2014 crop year – in excess of \$396 million to a maximum of \$538 million). As actual claims for the 2015 production year were less than the minimum threshold, no reinsurance payments were received by Agricorp.

Agricorp signed an agreement in December of 2015 whereby it purchased reinsurance through a number of carriers for the 2016 production 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 \$3.77 billion (2015 – \$3.55 billion).

## 11. Pension

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

(In thousands of dollars)	2016	2015
<b>Accrued benefit obligation</b>		
Balance, beginning of year	\$ 40,457	\$ 36,239
Current service cost	2,342	2,369
Interest cost	2,657	2,408
Employee contributions	1,447	1,463
Benefits paid	(3,026)	(2,022)
Actuarial loss	1,460	–
<b>Balance, end of year</b>	<b>\$ 45,337</b>	<b>\$ 40,457</b>
<b>Plan assets</b>		
Fair value, beginning of year	\$ 52,000	\$ 45,021
Actual return on plan assets	(170)	5,256
Employer contributions	2,371	2,282
Employee contributions	1,447	1,463
Benefits paid	(3,026)	(2,022)
<b>Fair value, end of year</b>	<b>\$ 52,622</b>	<b>\$ 52,000</b>
<b>Funded status</b>		
Plan surplus	\$ 7,285	\$ 11,543
Unamortized actuarial loss (gain)	729	(4,564)
<b>Accrued pension asset</b>	<b>\$ 8,014</b>	<b>\$ 6,979</b>

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

	2016 %	2015 %
Discount rate to determine accrued benefit obligation	6.00	6.50
Discount rate to determine benefit cost	6.00	6.50
Expected long-term rate of return on plan assets	6.00	6.50
Rate of compensation increase	3.25	4.00

The net benefit plan expense is as follows:

(In thousands of dollars)	2016	2015
Current service cost	\$ 2,342	\$ 2,369
Interest cost	2,657	2,408
Expected return on plan assets	(3,405)	(2,982)
Amortization of unrecognized loss	(269)	(134)
<b>Net benefit plan expense</b>	<b>\$ 1,325</b>	<b>\$ 1,661</b>

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

Security type	2016 %	2015 %
Canadian equities	29.0	30.2
U.S. equities	18.5	17.2
International equities	11.5	14.8
Bonds	29.1	24.6
Real estate	10.0	4.2
Cash and cash equivalents	1.9	9.0
<b>Total plan</b>	<b>100.0</b>	<b>100.0</b>

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 \$1.3 million (2015 – \$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)

2017	\$	2,669
2018		2,410
2019		2,136
2020		1,525
2021		1,507
Thereafter		7,884
<b>Total</b>	<b>\$</b>	<b>18,131</b>

### 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 \$0.2 million (2015 – \$0.3 million). In addition, Agricorp rents its head office location from the Ontario Infrastructure and Lands Corporation for a total cost for the year of \$0.8 million (2015 – \$1.3 million). Agricorp earned revenue of \$50.5 million (2015 – \$55.6 million) from OMAFRA as their share of Production Insurance premium and operating funding.

## 14. Board remuneration and salary disclosure

Total remuneration to members of the Board of Directors was \$35 thousand (2015 – \$47 thousand). *The Public Sector Salary Disclosure Act, 1996* requires Agricorp to disclose employees paid an annual salary in excess of \$100 thousand. The complete disclosure for Agricorp is included in the “Public Sector Salary Disclosure 2016: Crown Agencies” listing on the Government of Ontario website: <https://www.ontario.ca/page/public-sector-salary-disclosure-2015-all-sectors-and-seconded-employees>

For the 2015 calendar year, the actual amounts paid to the five employees with the highest annual salaries are:

Name	Position	Salary	Taxable benefits
Beifuss, Erich	Chief Financial Officer	\$ 169,317	\$ 606
Jackiw, Randy	Chief Executive Officer <sup>1</sup>	190,601	10,394
LaRose, Doug	Chief Executive Officer	193,294	688
Meneray, Debra	Senior Director, Program Delivery	151,723	557
Sayer, Greg	Senior Director, Legal Services	157,282	602

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.

1. Effective August 2015, Randy Jackiw, CEO, accepted an 18-month secondment with OMAFRA, which includes an arrangement for the re-imbursment of agreed salary costs.

## 15. Administration

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

(In thousands of dollars)	2016	2015
Salaries and benefits	\$ 31,307	\$ 30,988
Equipment and maintenance	2,420	2,615
Consulting and professional	1,490	1,389
Facilities	1,245	1,799
Amortization	885	1,527
Telephone and postage	865	997
Office	684	762
Vehicle and travel	565	616
Other	245	242
<b>Total</b>	<b>\$ 39,706</b>	<b>\$ 40,935</b>



## **16. Comparative figures**

Certain 2015 figures have been reclassified to conform to current year's presentation.







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