

Grain Financial Protection Program Handbook for dealers and elevator operators



This handbook outlines the Grain Financial Protection Program, including responsibilities of grain dealers, elevator operators and producers.

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Overview

The Grain Financial Protection Program protects producers who sell grains and oilseeds to licensed dealers and producers or owners who store grains and oilseeds at licensed elevators. The program has both a licensing and inspection component and a financial protection component.

Licensing and inspections

Anyone who purchases canola, grain corn, soybeans or wheat from a producer for any purpose other than personal use must have a grain dealer licence. Any person who operates an elevator and stores grain other than their own must have a grain elevator operator licence.

Agricorp appoints a chief inspector under the authority of the *Grains Act* to issue these licences. Agricorp also appoints inspectors to perform dealer and elevator inspections. These inspections enable the chief inspector to determine whether dealers and elevator operators are in compliance with legislation, producers receive payments for sold crops in a timely manner, and producers and owners receive their stored crops when requested.

This licensing and inspection process is funded by the Ontario Ministry of Agriculture, Food and Rural Affairs, by producers through their checkoff fees, and by dealers and elevator operators through their licensing fees.

Financial protection

Producers who sell canola, grain corn, soybeans or wheat to licensed dealers, or who store these crops with licensed elevators, are financially protected if a licensed dealer or elevator does not meet their payment or storage obligations. A share of the checkoff fees that producers pay when they sell their crops to licensed dealers is put into a fund managed by the Grain Financial Protection Board. When producers submit a claim to the board, the fund is used to cover a portion of their loss on approved claims.

Dealer responsibilities

Anyone who purchases canola, grain corn, soybeans or wheat from producers – except farm-to-farm sales and sales of seed corn, sweet corn and popping corn – is required to:

- Hold a valid grain dealer licence.
- Post their grain dealer licence prominently in their establishment.
- Collect checkoff fees from producers on their crop sales at the time of sale.
- Remit checkoff fees to the appropriate commodity organizations by the 15th of each month.
- Keep records of all grain purchases and sales for at least two years.
- **Sales upon delivery:** Make payments to producers within ten trading days or by the date specified in a deferred payment arrangement.
- **Sales from storage:** Make payments to producers by 2 p.m. on the fifth trading day after the sale or by the date specified in a deferred payment arrangement.
- **Basis contracts:** Make a minimum payment of 60 per cent of the market price within required timelines, as per payment arrangement (e.g., deferred, upon delivery or out of storage).
- **Deferred payment arrangements:** Issue written confirmation* of any deferred payment (including when the payment will be made) to the grain owner within five trading days of the date the deferred arrangement was entered into.
- Comply with all terms and conditions set out in the licence.

*See Deferred payment confirmation on page 11 for more details.

Elevator operator responsibilities

Anyone who stores any grains or oilseeds other than their own is required to:

- Hold a valid grain elevator operator licence.
- Post their grain elevator operator licence prominently in their establishment.
- Issue a weigh ticket* when each load of grain is received.
- Maintain a numerical file of all weigh tickets.
- Complete a grain storage receipt and ensure that it is signed and shows the expiration date, charges and other arrangements made with the owner.
- Issue grain storage receipts* within 45 days of first delivery or within five trading days of request.
- Maintain a numerical file of all grain storage receipts.
- Release the grain to the owner upon request.
- Maintain sufficient amounts of grain of each kind and grade to cover storage obligations. If you experience a shortfall of any kind or grade of grain and cannot cover storage obligations, contact Agricornp immediately to obtain a shortfall permit*.
- Hold an approved offsite storage permit* for any unlicensed storage locations in use.
- Maintain insurance coverage on grain to cover storage obligations and provide Agricornp with proof of insurance coverage* upon request.
- Provide safe and full access to facilities for inspection.
- Comply with all terms and conditions set out in the licence.

*See Information reviewed on pages 9 and 10 for more details.

Producer responsibilities

Producers have the following responsibilities when selling or storing crops or making a claim.

When selling crops

- Sell crops only to licensed dealers. Producers can visit agricorp.com or call Agricornp at 1-888-247-4999 to obtain a list of licensed dealers.
- Ensure that payments are issued within required timelines (see Dealer responsibilities on page 3).
- Cash cheques within five banking days.
- Notify the chief inspector immediately by calling Agricornp if their dealer fails to pay within required timelines.

When storing crops

- Store crops at licensed elevators. Producers can visit agricorp.com or call Agricornp at 1-888-247-4999 to obtain a list of licensed elevator operators.
- Obtain weigh tickets for each delivery.
- Obtain a grain storage receipt within 45 trading days of delivery or within five trading days of request.
- Ensure that the grain storage receipt is signed by the elevator operator and that it shows the expiry date, charges and any other arrangements made with the elevator operator.
- Notify the chief inspector immediately by calling Agricornp if their elevator operator fails to meet storage obligations.

When making a claim

If a dealer or elevator operator does not meet their payment or storage obligations, producers must notify the chief inspector immediately by calling Agricornp at 1-888-247-4999. Agricornp provides producers with a claim package to complete and submit to the Grain Financial Protection Board.

Coverage levels for claims are up to 95 per cent and decrease as the length of any deferred payment arrangement increases (if applicable).

The following chart shows the maximum coverage for producers or owners of canola, grain corn, soybeans or wheat.

| Coverage levels by length of deferred payment arrangement | |
|---|-------------------------------------|
| Length of deferral* | Maximum coverage on approved claims |
| No deferral | 95% |
| 1 to 45 calendar days | 50% |
| 46 to 90 calendar days | 40% |
| 91 to 135 calendar days | 30% |
| 136 to 180 calendar days | 20% |
| Over 180 calendar days | 0 |

* For sales on delivery, refers to length of deferral after the tenth trading day following the sale. For sales from storage, refers to length of deferral after 2 p.m. on the fifth trading day following the sale.

Getting your licence

Under the *Grains Act*, anyone who purchases canola, grain corn, soybeans or wheat from a producer for any purpose other than personal use must have a grain dealer licence. Any person who operates an elevator and stores grain other than their own must have a grain elevator operator licence.

If you purchase grains and operate an elevator, you are required to have both a grain dealer and an elevator operator licence. Licensed grain dealers and elevator operators are required to be financially responsible.

Licences are issued annually. In addition, the chief inspector or an Agricorp inspector may inspect business locations at any time to ensure compliance with the requirements of the program.

The following steps outline the process to obtain a grain dealer or elevator operator licence:

1. Submit application
2. Prove financial responsibility
3. Obtain licence approval

Step 1: Submit application

Grain dealer applications

If applying for a grain dealer licence for the first time, submit the following to Agricorp (forms available on agricorp.com):

- *Application for a licence as a dealer in grain*
- *Financial responsibility form*
- *Banker's confirmation*
- Licence fee payable to Agricorp.

Also submit the following documentation to support your application:

- Business registration form or articles of incorporation
- Financial statements for the past three years, prepared by a third party.

Elevator operator applications

If applying for a grain elevator operator licence for the first time, submit the following to Agricorp (forms available on agricorp.com):

- *Application for a licence as a grain elevator operator*
- *Banker's confirmation*
- *Agricorp's Certificate of insurance coverage*
- Licence fee payable to Agricorp.

Also submit the following documentation to support your application:

- Business registration form or articles of incorporation
- Financial statements for the past three years, prepared by a third party.

Additional information you may choose to submit

You may submit additional information for Agricorp to consider in the review of your business. Below are some examples of additional information you may consider including:

Financial commentary

Additional commentary to explain any adverse results, one-time expenses or unusual events shown in the financial statements.

Subsequent event explanation

An explanation about information outside the financial statement period, including significant subsequent events, pending reorganizations, or expected sale of redundant assets.

Banking arrangement information

Information about new financing or banking agreements that have altered the terms or amounts of financing in the financial statements.

Financial projections

Financial projections and interim financial statements for the current period, including commentary on where the company is headed and plans to improve operations. Interim financial statements alone are not as relevant due to the seasonal nature of agricultural operations.

Appraisals

Copies of recent appraisals of real estate prepared by an accredited appraiser or valuation information on certain types of business operations, such as petroleum business or quotas, to show the current value of assets. This may differ from the value reflected in the financial statements, which are based on historical costs. The differential may be factored into the assessment as additional equity. If this information is submitted, you must also provide the net book value of the assets in question.

Step 2: Prove financial responsibility

Agricorp conducts quantitative analysis

Once Agricorp receives your application and supporting documentation, we use this information to conduct a quantitative analysis of your business. This analysis focuses solely on your financial statement data and uses seven financial ratios to assign you a financial score. This score helps the chief inspector assess your financial responsibility and your ability to meet your payment and/or storage obligations.

Seven financial ratios used to calculate your financial score

To calculate consistent and objective financial scores, ratios are calculated using figures from your financial statements. A total point score is determined, according to the points allocated to each ratio, to reflect how much financial responsibility your business demonstrates. (See Appendix: Financial score self-assessment on page 12.)

The seven financial ratios are:

Current ratio

$$= \text{current assets} \div \text{current liabilities}$$

Indicates a business's ability to meet short-term obligations, such as claims by creditors and current operating expenses. A high current ratio is desirable.

Debt to equity ratio

$$= \text{total debt} \div \text{total equity}$$

Indicates the amount of financial leverage a business uses (i.e., the use of borrowed funds to generate profits). If a business borrows money at a cost that is less than what it earns, profit is increased. Businesses with low debt to equity ratios are not as vulnerable when the economy is slow. Conversely, businesses with high debt to equity ratios run a risk of incurring losses when the economy is weak.

Interest coverage ratio

$$= (\text{net income} + \text{income tax expense} + \text{interest expense} + \text{depreciation} \div \text{amortization}) \div \text{interest expense}$$

Indicates a business's ability to service debt. If a business is unable to make interest payments, its creditors may seek immediate repayment, which may result in insolvency and bankruptcy. A high interest coverage ratio is desirable.

Average collection period ratio

$$= \text{accounts receivable} \div \text{average daily sales}$$

Indicates how rapidly a business collects money owed to it. The faster a business is able to collect its receivables, the better its cash flow, making it easier for them to pay producers. A smaller average collection period ratio is desirable.

Stability ratio

$$= \text{sales} \div \text{equity}$$

Indicates the volume of sales related to equity, which is a good measure of stability. Normally, a business generating a high volume of sales in relation to equity is better off. However, from a creditor's point of view this may not be such a good thing. High sales in relation to equity may indicate that a business is trading beyond its ability. For a financial responsibility assessment, a smaller stability ratio is desirable.

Profit margin on sales ratio

$$= (\text{net income} + \text{income tax expense}) \div \text{sales}$$

Indicates the portion of each sales dollar remaining after all expenses have been deducted. To be viable, a business must be able to generate profit on its sales. A higher profit margin on sales ratio is desirable.

Line of credit ratio

$$= \text{maximum drawn credit} \div \text{total authorized credit}$$

Indicates the extent to which a business has used its line of credit. Since Agricorp is concerned about a business's ability to pay producers, the more unused credit a business has available, the better position they are in to pay their bills. Companies that fully use or exceed their line of credit may have difficulty meeting unforeseen short-term obligations. A smaller line of credit ratio is desirable.

Financial Responsibility Review Committee conducts qualitative analysis

Once your financial score is calculated, a qualitative analysis of other intangible aspects of your business is conducted to help assess whether your financial score accurately reflects the financial responsibility of your business.

The qualitative analysis is an important step in determining your financial responsibility. It is performed by a Financial Responsibility Review Committee, made up of Agricorp employees and external financial experts.

Once the qualitative analysis is completed and reviewed against your financial score, the Financial Responsibility Review Committee makes a recommendation to the chief inspector about your business's financial responsibility and any additional licensing terms and conditions required.

Factors that may be considered in qualitative analysis

Management expertise and experience

The first few years a business operates are the most crucial. Management personnel who have been in the business for several years can use their experience to be more prudent managers.

Level of risk

Commodity or currency speculation may put a business at risk. Businesses that deal in grain speculate on commodity markets. If a business's level of risk is viewed as excessive, additional security may be required, regardless of the point score.

Quality of financial statement information

Businesses need to provide financial information that is of a quality deemed reasonable enough for an accurate assessment to be made. Financial statements should be prepared by a qualified third-party accountant to the audited or review engagement level, as this provides assurance that the information supplied is complete and accurate. For businesses that provide lower quality information, we may request additional security requirements, regardless of the point score determined through the quantitative analysis. If a business is unincorporated or a personal guarantee is required, a tangible net worth statement must be provided. This can enable Agricornp to adjust the financial responsibility assessment to reflect personal assets and liabilities that are not included in the business's financial statements.

Age of financial statements

An accurate assessment can only be made if the financial statements for the past three years have been prepared by a third party within six months of the date they are submitted to Agricornp for review.

Contingent liabilities

A contingent liability (e.g., potential claim or lawsuit) is not reflected in the assets or liabilities tables of your financial statements but should be disclosed in the notes section of these statements. Depending on the outcome of a

future event, it could become a liability. The settlement or determination of a lawsuit, or a claim on a guarantee, could adversely affect a company and should be taken into consideration before a final recommendation is made. If possible, a point score should be generated incorporating the worst-case scenario (e.g., claim on the company). The notes to financial statements must disclose information regarding significant contingent liabilities, as the point score determined through the quantitative analysis alone cannot predict the ultimate effect on the company.

Trend analysis

The business's most current year of performance is typically of greatest importance to the final recommendation. However, previous years' performance and projections should not be ignored. A business that receives a reasonable score in the current year may actually be experiencing a serious downturn in financial condition. This would be characterized by point scores such as 90, 75 and 55 for two years ago, one year ago and the current year respectively. Similarly, a business could have made significant improvements over a three-year period and still not receive a passing score. Special consideration may be given to these businesses.

Banker's confirmation

Although a business's line of credit is incorporated into the quantitative analysis, this report offers information that can prove useful in the overall assessment of an application. The nature of any security lodged, or of guarantees or postponements that are already in place, is important in the final decision. Furthermore, efficient use of operating credit is an indication of business expertise.

Step 3: Obtain licence approval

Agricornp's Financial Responsibility Review Committee makes a recommendation to the chief inspector as to whether or not your business has proven to be financially responsible.

If your application is approved, the licence will be mailed to you and will need to be displayed prominently in your business establishments. Names of dealers and elevator operators with licences in good standing are posted on agricorp.com for producers to view.

If your application is not approved, Agricornp will contact you to explain the rationale and your options for next steps.

Other options to achieve financial responsibility

If your application fails to prove that your business is financially responsible, you will be notified and you may pursue other options to prove that your business is financially responsible. The following are examples of additional options that will be considered on an individual basis and which may help in achieving financial responsibility.

Corporate indemnification

In some cases, a business cannot achieve financial responsibility solely on the merits of its own financial statements, but when considered along with a related company, the combined entities may be shown to be financially responsible. In these cases, a corporate indemnification from the related company can be considered. A copy of the related party's financial statements or consolidated financial statements would be required to assess the combined entities.

Personal guarantees

Sometimes, a business can achieve financial responsibility once the combined score of the net worth of the primary shareholders is considered. In these cases, personal guarantees may be obtained from these shareholders. Tangible net worth statements are to be completed by the shareholders and approved by each shareholder's banker or accountant. A *Statement of personal tangible net worth* is available on agricorp.com.

Shareholder loan postponement

A shareholder or related party loan may be considered equity for the purposes of the ratio scoring if it is formally postponed in favour of the chief inspector. In this case, the party in question would have to agree that the amount would not be repaid within the next year.

Meeting to discuss financial assessment

The Financial Responsibility Review Committee is open to meeting with applicants who want to provide additional information or ask questions or who are required to provide financial security to obtain their licence. The meeting is an avenue for applicants to provide additional relevant information not otherwise evident in the financial statements. The meeting can take place in person or over the phone.

Meetings may be held at either the applicant's or Agricorp's request when either party feels that additional information is required to fully assess financial responsibility.

If you request a meeting, you may submit additional information for review at the meeting to demonstrate that your score does not accurately reflect the state of your business. This information must be submitted at least five business days before the meeting. Additional information could include corporate indemnifications, personal guarantees, or shareholder loan postponements.

Providing financial security

If after pursuing other options to achieve financial responsibility you still do not meet the criteria to receive a licence, you will be required to provide tangible financial security, such as a letter of credit, and complete a *Purchase declaration* to declare the maximum amount of grain you will purchase each month.

The amount of security required equals 60 per cent of your highest month's purchases from October to January and from February to September. Financial security is to extend three months beyond the licence expiry date.

Information about your purchases is supplied by the Grain Farmers of Ontario and the Ontario Canola Growers Association based on summary information from your monthly report.

If you are both a dealer or elevator operator **and** a producer of grain who is required to provide security, you may request an adjustment to the amount of your required letter of credit. Dealers will need to send Agricorp copies of the most recent twelve months of your dealer's monthly report that you have submitted to your applicable commodity boards, with personal grain purchases highlighted.

Exemption for small dealers

A business that has monthly purchases of less than \$15,000 is considered a small dealer.

Small dealers who are first-time applicants and who fail to prove financial responsibility are required to provide tangible financial security and complete a *Purchase declaration* to declare the maximum amount of grain they intend to purchase each month.

Small dealers who are renewing their licence may be exempt from the requirement to provide financial security.

Maintaining your licence

To ensure your licence remains in good standing:

- **Review your personalized application** (mailed in your renewal package) to ensure the information is correct and submit the documentation with any changes to your business information to Agricorp at least 60 days before your licence expiry date. For dealers, this documentation includes the fee payment, updated application form, financial responsibility form, banker's confirmation and financial statements for the past three years. For elevator operators, this documentation includes the fee payment, updated application form, and Agricorp's *Certificate of insurance coverage*. You may also choose to submit additional information. (See Additional information you may choose to submit on page 5.)
- **Renew your licence on time.** Licences expire six months after your company financial year-end. Agricorp will send you a renewal package three months before the expiry date. To continue to purchase canola, grain corn, soybeans or wheat from a producer for any purpose other than personal use, or to operate an elevator and store grains other than your own, you must renew your licence on time, each year.
- **Comply with licensing terms and conditions** and inspection directives.
- **Notify Agricorp of any changes to your financial situation**, including changes to banking facilities or any unusual financial developments since your licence was last renewed.
- **Meet your responsibilities and requirements** under the program.

Inspections

In addition to meeting annual renewal requirements, dealers and elevator operators may be inspected to determine compliance with program requirements or in response to any complaint.

If a producer or owner files a complaint because you did not meet your payment or storage obligations, a grain inspector will investigate the complaint. This investigation may include an audit of your operation.

Agricorp has a team of grain inspectors appointed under the *Grains Act* who inspect licensed dealers and elevator operators to ensure they comply with the *Grains Act* requirements. Site inspections are performed as needed for the purpose of monitoring, enforcing, gathering information, investigating complaints or other reasons as determined by Agricorp.

Upon arrival, the grain inspector will provide proof of his or her appointment under the *Grains Act*.

Once the inspection is complete, the inspector will give you a copy of the inspection report. The report will include any directives on improvements you need to make in order to comply with the program, including the timelines to complete them. Depending on what is discovered during your inspection, the chief inspector may choose to revoke, suspend or add conditions to your licence until non-compliance issues are satisfactorily addressed.

Information reviewed

During the inspection of your business, the grain inspector will review various pieces of information. These may include:

Inventory

Sufficient quantity of grain of like kind and grade must be available to cover all storage and open weigh ticket obligations.

Shortfall permits

If you anticipate that you will not have sufficient quantities of grain of like kind and grade in storage to cover your storage obligations, you can apply for a shortfall permit. An *Application for a shortfall permit* is available on agricorp.com.

To obtain a shortfall permit, an Agricorp inspector will verify the amount of the shortfall, which must be covered to its full market value by security such as a letter of credit or certified cheque made payable to the "chief inspector appointed under the *Grains Act*". If the market value of the grain increases, the chief inspector may request additional coverage equal to the increase.

The permit expires after 30 days, unless it is issued between September 15 and December 5, in which case the permit is valid until January 5 of the following year. Permits can be renewed by reapplying to Agricorp.

Payments

Payments to producers must be made within required timelines (see Dealer responsibilities on page 3). The inspector will confirm that all payment timelines are adhered to by reviewing settlement statements and records of payment.

Checkoff fees are to be collected from producers on their crop sales and remitted to the appropriate commodity organizations by the 15th of each month.

Proof of insurance coverage

Grain elevator operators must insure all grain stored in their grain elevators or on unlicensed premises. Agricorp's *Certificate of insurance coverage* must be completed and submitted with elevator operator licence applications. The grain must be insured against loss or damage by fire, lightning, explosion, windstorm or hail to the full market value of the grain. If any loss or damage occurs, notify Agricorp immediately.

Premises

All premises must have licences prominently displayed and a large enough inventory to meet their storage obligations.

Offsite storage permits

Any inventory stored in offsite unlicensed facilities cannot be considered by the inspector in the calculation of your inventory required to cover your storage obligations. If you store grain offsite and want this to be considered as part of your inventory, the offsite storage must be covered by an approved permit.

To apply, complete the *Application for an offsite storage permit* available on agricorp.com and send your application along with Agricorp's *Certificate of insurance coverage* showing full coverage for the offsite location and details of the ownership/occupation of the facility (e.g., copy of a signed lease agreement). Written details of the ownership/occupation must include the lease term, the name and address of the lessor, and the location and capacity of the facilities. The facilities must also meet health and safety requirements to enable the inspector to access the location.

You must apply for an offsite storage permit annually.

Documentation

Weigh tickets, grain storage receipts and deferred payment confirmations are to be retained for at least two years.

Weigh tickets

For each grain delivery, you or your authorized representative must issue a receipt to the grain owner or the owner's agent. This receipt must include:

- Name and business address of the grain elevator operator
- Name and signature of the person issuing the weigh ticket
- Name and address of the grain owner
- Date of delivery of the grain
- Kind, grade and dockage of the grain
- Net weight of the grain

- Gross weight and tare weight of the grain, if applicable
- Moisture content of the grain
- Serial number of the weigh ticket
- Use of the grain (e.g., whether it is delivered for storage, sale, or any other specified purpose). If the use is not shown, the grain is deemed to be for storage and will not be considered a sale unless documented by a written agreement.

You must keep copies of all weigh tickets issued for each owner until a grain storage receipt is issued. In addition, you must keep a numerical record of all weigh tickets issued within the past two years.

Grain storage receipts

You or your authorized representative must issue a grain storage receipt to the grain owner within 45 days of issuing the first weigh ticket or within five days of request. Only one grain storage receipt can be issued for a given lot of grain delivered, and this receipt replaces all weigh tickets issued for that lot of grain.

Grain storage receipts must include the following information:

- Name, business address and licence number of the elevator operator
- Name and address of the grain owner
- Date or dates of delivery of the grain
- Details of the grade and net weight of each kind of grain for which the receipt was issued
- Serial number(s) of the weigh ticket(s) for which the receipt is issued
- Name and signature of the person issuing the grain storage receipt
- Details of any portion of grain that is subsequently released from storage.

Grain storage receipts include a statement that they are issued under the *Grains Act* and that the grain is accepted for storage as fungible goods, unless other arrangements have been made. Fungible means that the grain may be exchanged for or replaced by grain of the same type and quality.

You must keep a numerical record of all grain storage receipts issued within the past two years.

Official grain storage receipts are available from:

Ontario Agri Business Association
160 Research Lane, Suite 104
Guelph, Ontario N1G 5B2
Telephone: (519) 822-3004
Fax: (519) 822-8862
Website: www.oaba.on.ca
Email: info@oaba.on.ca

Deferred payment confirmations

Written confirmation of all deferred payment arrangements must be provided to producers or owners within five trading days of when the arrangement was made. This confirmation must include the date on which the deferred payment arrangement was made, the date(s) on which the payment is to be made, the amount of each payment, and the total amount of all payments. For greater certainty, the price of the grain sold may also be included.

Claims

The Grain Financial Protection Board administers and adjudicates all claims for failure to meet payment or storage obligations. If a claim is filed against you, a board representative will contact you to outline the process, including the expectation that you will resolve and repay any claim.

For more information

For full terms and conditions of the Grain Financial Protection Program, refer to the following:

- *Grains Act*, R.S.O. 1990, c. G. 10
- *Grains Act: Ontario Regulation 260/97 – General*
- *Farm Products Payments Act*, R.S.O. 1990, c. F. 10
- *Farm Products Payments Act: Ontario Regulation 70/12 – Payments from Funds for Grain Producers*

To obtain copies of these materials, visit www.e-laws.gov.on.ca. Where there is any conflict between this handbook and the legislation listed above, the legislation takes precedence.



Financial score self-assessment

Financial score worksheet

The following worksheet will help you estimate the financial score that Agricorp will calculate for your business based on the material you submit.

| Ratio name | Formula | Maximum points per ratio | My ratio | My points per ratio* |
|---------------------------------|---|--------------------------|----------|----------------------|
| Current ratio | current assets ÷ current liabilities | 23 | | |
| Debt to equity ratio | total debt ÷ total equity | 25 | | |
| Interest coverage ratio | (net income + income tax expense + interest expense + depreciation ÷ amortization) ÷ interest expense | 10 | | |
| Average collection period ratio | accounts receivable ÷ average daily sales | 2 | | |
| Stability ratio | sales ÷ equity | 15 | | |
| Profit margin on sales ratio | (net income + income tax expense) ÷ sales | 20 | | |
| Line of credit ratio | maximum drawn credit ÷ total authorized credit | 5 | | |
| Maximum total score | | 100 | | |

* See next page for point allocation for each ratio.

If the financial score you calculated is less than 50, you will need to provide additional information to support your application. If your score is between 50 and 60, you still may consider providing additional information to strengthen your score. The following are some types of information you may consider providing (see Additional information you may choose to submit on page 5 for descriptions):

- Financial commentary
- Subsequent event explanation
- Banking arrangement information
- Financial projections
- Appraisals
- Financial security (in the form of a letter of credit)

Point allocation to determine your points per ratio score

| Current ratio | | |
|---------------|---------------|-----------|
| Lower limit | Upper limit | Points |
| -10,000 | 0.50 | 0 |
| 0.50 | 0.56 | 1 |
| 0.56 | 0.62 | 2 |
| 0.62 | 0.68 | 3 |
| 0.68 | 0.74 | 4 |
| 0.74 | 0.80 | 5 |
| 0.80 | 0.86 | 6 |
| 0.86 | 0.92 | 7 |
| 0.92 | 0.98 | 8 |
| 0.98 | 1.04 | 9 |
| 1.04 | 1.10 | 10 |
| 1.10 | 1.16 | 11 |
| 1.16 | 1.22 | 12 |
| 1.22 | 1.28 | 13 |
| 1.28 | 1.34 | 14 |
| 1.34 | 1.40 | 15 |
| 1.40 | 1.46 | 16 |
| 1.46 | 1.52 | 17 |
| 1.52 | 1.58 | 18 |
| 1.58 | 1.64 | 19 |
| 1.64 | 1.70 | 20 |
| 1.70 | 1.76 | 21 |
| 1.76 | 1.82 | 22 |
| 1.82 | 10,000 | 23 |

| Debt to equity ratio | | |
|----------------------|-------------|-----------|
| Lower limit | Upper limit | Points |
| -10,000 | 0.00 | 0 |
| 0.00 | 0.16 | 25 |
| 0.16 | 0.32 | 24 |
| 0.32 | 0.48 | 23 |
| 0.48 | 0.64 | 22 |
| 0.64 | 0.80 | 21 |
| 0.80 | 0.96 | 20 |
| 0.96 | 1.12 | 19 |
| 1.12 | 1.28 | 18 |
| 1.28 | 1.44 | 17 |
| 1.44 | 1.60 | 16 |
| 1.60 | 1.76 | 15 |
| 1.76 | 1.92 | 14 |
| 1.92 | 2.08 | 13 |
| 2.08 | 2.24 | 12 |
| 2.24 | 2.40 | 11 |
| 2.40 | 2.56 | 10 |
| 2.56 | 2.72 | 9 |
| 2.72 | 2.88 | 8 |
| 2.88 | 3.04 | 7 |
| 3.04 | 3.20 | 6 |
| 3.20 | 3.36 | 5 |
| 3.36 | 3.52 | 4 |
| 3.52 | 3.68 | 3 |
| 3.68 | 3.84 | 2 |
| 3.84 | 4.00 | 1 |
| 4.00 | 10,000 | 0 |

| Interest coverage ratio | | |
|-------------------------|---------------|-----------|
| Lower limit | Upper limit | Points |
| -10,000 | 0.500 | 0 |
| 0.500 | 0.775 | 1 |
| 0.775 | 1.050 | 2 |
| 1.050 | 1.325 | 3 |
| 1.325 | 1.600 | 4 |
| 1.600 | 1.875 | 5 |
| 1.875 | 2.150 | 6 |
| 2.150 | 2.425 | 7 |
| 2.425 | 2.700 | 8 |
| 2.700 | 2.975 | 9 |
| 2.975 | 10,000 | 10 |

| Profit margin on sales ratio | | |
|------------------------------|---------------|-----------|
| Lower limit | Upper limit | Points |
| -10,000 | 0.0001 | 0 |
| 0.0001 | 0.0016 | 1 |
| 0.0016 | 0.0032 | 2 |
| 0.0032 | 0.0048 | 3 |
| 0.0048 | 0.0064 | 4 |
| 0.0064 | 0.0081 | 5 |
| 0.0081 | 0.0097 | 6 |
| 0.0097 | 0.0113 | 7 |
| 0.0113 | 0.0129 | 8 |
| 0.0129 | 0.0145 | 9 |
| 0.0145 | 0.0161 | 10 |
| 0.0161 | 0.0177 | 11 |
| 0.0177 | 0.0193 | 12 |
| 0.0193 | 0.0209 | 13 |
| 0.0209 | 0.0225 | 14 |
| 0.0225 | 0.0242 | 15 |
| 0.0242 | 0.0258 | 16 |
| 0.0258 | 0.0274 | 17 |
| 0.0274 | 0.0290 | 18 |
| 0.0290 | 0.0306 | 19 |
| 0.0306 | 10,000 | 20 |

| Average collection period ratio | | |
|---------------------------------|-------------|----------|
| Lower limit | Upper limit | Points |
| -10,000 | 30 | 2 |
| 30 | 60 | 1 |
| 60 | 10,000 | 0 |

| Stability ratio | | |
|-----------------|-------------|-----------|
| Lower limit | Upper limit | Points |
| -10,000 | 0 | 0 |
| 0 | 2 | 15 |
| 2 | 4 | 14 |
| 4 | 6 | 13 |
| 6 | 8 | 12 |
| 8 | 10 | 11 |
| 10 | 12 | 10 |
| 12 | 14 | 9 |
| 14 | 16 | 8 |
| 16 | 18 | 7 |
| 18 | 20 | 6 |
| 20 | 22 | 5 |
| 22 | 24 | 4 |
| 24 | 26 | 3 |
| 26 | 28 | 2 |
| 28 | 30 | 1 |
| 30 | 10,000 | 0 |

| Line of credit ratio | | |
|----------------------|-------------|----------|
| Lower limit | Upper limit | Points |
| -10,000 | 0.00 | 0 |
| 0.00 | 0.40 | 5 |
| 0.40 | 0.55 | 4 |
| 0.55 | 0.70 | 3 |
| 0.70 | 0.85 | 2 |
| 0.85 | 1.00 | 1 |
| 1.00 | 10,000 | 0 |



An agency of the Government of Ontario

Contact us

1-888-247-4999

TTY: 1-877-275-1380

Fax: 519-826-4118

agricorp.com

contact@agricorp.com

7 a.m. to 5 p.m., Monday to Friday

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Errors and omissions excepted.

As an agency of the Government of Ontario, Agricorp works with government and industry partners to contribute to a vibrant and sustainable agricultural industry. Agricorp delivers risk management programs to help producers across all sectors manage all kinds of risk including financial, environmental and market security. The agency was established in 1997 by the provincial government under the authority of the *AgriCorp Act, 1996*. Agricorp administers the licensing and inspection component of the Grain Financial Protection Program on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA).