



2006-2007 annual report



2006-2007 annual report

engaging
the
elements

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In Our Element

Agricorp partners with government and industry to deliver programs that help the Ontario agri-food sector manage risk. The organization has earned a reputation for proactive, reliable, customer-focused service in delivering programs that help producers remain financially secure, retain current markets, and reach new ones.

Our integrity, customer service, and expertise allow us to provide effective and efficient program delivery. When it comes to connecting producers with programs, we are in our element.

element / 'ɛlɪm(ə)nt / *n.*

a natural habitat, sphere of activity, environment, etc.: to be in one's element.

Our Vision

To be the recognized providers of agricultural risk management products.

Our Mission

We connect producers with programs. We partner to develop risk management programs that are flexible to the changing needs of agriculture.

Delivery is our strength. We focus on quality and efficiency in delivering our programs.

Our people are the foundation of our success. Collaboration and continuous improvement harness our many strengths for a common focus.

Customers are our priority. We help producers remain financially secure, retain current markets, and reach new ones with professional, quality, and efficient assistance.

We invest in the future of agriculture. We support our community in becoming a better place to live, work, and prosper.

Our Balanced Scorecard

As part of our *Strategic Plan*, Agricorp has developed a scorecard that balances several equally important elements of our planning. The scorecard outlines our strategic objectives, targets, initiatives, and performance measures under five pillars that are essential to Agricorp's success: customer service, delivery, product-market commitment, our people, and community.

In Our Element



Strategic Elements

Moving forward, Agricornp has identified five strategic objectives to enhance program delivery, improve customer service, and help secure our continued success. These objectives are aligned with the five pillars of our balanced scorecard.

- To recognize, respect, and satisfy the needs of our customers.
- To improve quality and efficiency in delivering our programs.
- To be a partner in developing innovative products and services that help our customers control, manage, and reduce the risk inherent in agriculture.
- To have a dynamic environment enriched by diversity and open communication and characterized by respected and committed employees.
- To be recognized as a contributor who supports a strong community for our employees and customers.



Our Current Programs and Services

Agricornp's programs and services are aimed at a broad range of needs and sectors in Ontario's agriculture industry.



Programs:

- Canadian Agricultural Income Stabilization (CAIS) Program
- Production Insurance (PI)
- Advance Payments Program (APP)
- Dairy Credit Program
- Farm Business Registration (FBR)
- Grain Financial Protection Program (GFPP)
- Plum Pox Eradication Program
- Self-Directed Risk Management (SDRM)
- Various ad hoc programs



Services:

- Banking and investment services for administered programs
- Product Verification
- Quality Assurance
- Data Management System (DMS)

Greetings From the Chair

“ I would like to thank our staff for their hard work, their dedication to producers, and their commitment to continuous improvement at Agricorp. ”



engage

/ In'geidʒ, ɛn-/ v.

-gaged, -gag·ing.

To assume an

obligation; agree.

The past year brought significant challenges, which Agricorp worked very hard to respond to. Customers' expectations of our performance remain high. Our strategy must address the reality of meeting our day-to-day processing requirements, while maintaining a strategic focus on the future to ensure that our systems and processes meet our changing needs.

We are putting significant resources into improving our day-to-day processes, while managing an unprecedented number of program changes and ad hoc programs, such as the CAIS fee and CAIS inventory valuation changes. Our organization has risen to these challenges time and time again, often through intense effort and manual processes. I would like to thank our staff for their hard work, their dedication to producers, and their commitment to continuous improvement at Agricorp.

Agricorp is engaged in an ambitious business improvement plan to manage the challenges of delivering multiple programs more seamlessly and consistently. Our responsibility as an organization is to plan for ongoing policy and program changes. We have seen several new priorities emerge throughout the course of the year, and have had to adjust our work and our focus to manage them. We are dealing with increased demands

Greetings From the Chair



I am very proud of the work of our Board of Directors, who continue to ensure that Agricorp conducts itself appropriately, ethically, and in accordance with our governance principles. With a growing level of expertise among its members, our Board has evolved to a higher standard of governance, and I thank them for their important work.



on our systems and resources, which are unlikely to change with the next generation of agriculture and agri-food policy. Moving forward, Agricorp will rely on comprehensive planning and significant investment in our infrastructure to respond effectively to future change and meet the high expectations of Ontario producers.

I am very proud of the work of our Board of Directors, who continue to ensure that Agricorp conducts itself appropriately, ethically, and in accordance with our governance principles. With a growing level of expertise among its members, our Board has evolved to a higher standard of governance, and I thank them for their important work.

I am also pleased with our progress on enterprise-wide risk management. The Board's Finance and Audit Committee has overseen a comprehensive internal audit process targeted at minimizing risk, a key element in laying the foundation for continuous improvement.

To further support this goal, Agricorp is updating our balanced scorecard, which sets out our strategic

objectives, initiatives, and performance measures for the next three years. We will be adding two new pillars to the scorecard:

- Public Accountability to ensure that Agricorp meets the public's expectations around due diligence, the proper management of funds and programs, and transparency; and
- Future Orientation to ensure we are taking steps today to manage our information technology systems, business processes, and resources. We are also developing a solid business case for substantial investment in our infrastructure over multiple years.

I extend my thanks to the Ontario Ministry of Agriculture, Food and Rural Affairs and the Minister for their support of our long-term strategy and our efforts to gain efficiencies. With continued support, Agricorp can make the improvements we need to ensure our future success in serving the producers of Ontario.

Liam McCreery

Laying the Groundwork: Governance



“ **Agricorp’s Board of Directors is responsible for setting Agricorp’s strategic objectives and ensuring good governance.** ”

Agricorp was created in 1997 as an operational enterprise under the authority of the *AgriCorp Act, 1996*. The act outlines our purpose, powers, mandate, and structure, and authorizes Agricorp’s Board of Directors to create by-laws detailing the Board’s operating policies. A Memorandum of Understanding between Agricorp and the Ontario Ministry of Agriculture, Food and Rural Affairs sets out financial, operational, and audit arrangements, as well as the roles and responsibilities of each party.

Agricorp operates according to accepted management principles, including ethical behaviour, accountability, prudent use of public funds, and high-quality service. Our operating decisions are made impartially, with operations at “arm’s length” from government. As a government agency, Agricorp is publicly accountable and is overseen by provincial and federal auditors.

Agricorp’s Board of Directors has focused considerable energy on developing and enforcing appropriate structures and processes to direct Agricorp and hold us to account. A key element of good corporate governance is clearly defined roles, responsibilities, and relationships between the government, the Board, and senior management. The Board has developed a Governance Handbook, which provides a clear governance framework that is aligned with the needs of an organization of our size and complexity.

Agricorp’s Board of Directors

The Board of Directors consists of the following professionals nominated by the Minister of Agriculture, Food and Rural Affairs, and appointed by the Lieutenant Governor:

Laying the Groundwork: Governance

Mr. Liam McCreery (Chair)

Tenure with Agricorp Board:

October 7, 2004 to October 7, 2007

Mr. McCreery graduated from the University of Guelph with a degree in economics and from Wilfrid Laurier University with a graduate diploma in Business Administration. He previously served as chair of the Ontario Soybean Growers and is a former member of the board of the Guelph Food Technology Centre. Other board appointments include the Canadian Agri-Food Trade Alliance and the Deputy's Advisory Group for Life Sciences. He owns and operates a cash crop farm in the Woodstock area.

Mr. Henry Aukema

Tenure with Agricorp Board:

June 2, 2004 to June 1, 2007

Mr. Aukema was born and raised on a farm and currently owns and operates his own cash crop and hog finishing operation in Middlesex County. He received a diploma in Agricultural Production and Management from Ridgetown College of Agricultural Technology. He is a founding member and past president of the London-based Parents of Technologically Dependent Children, and past president of the Christian Farmers Federation of Ontario, Middlesex County Pork Producers, and Strathroy Community Christian School. Mr. Aukema also served as Chair of Agricorp's Crop Insurance Committee before reappointment to the Board in 2004.

Mr. Gérald Beaudry

Tenure with Agricorp Board:

June 14, 2005 to June 13, 2008

Mr. Beaudry lives in Verner, a farming community of Nipissing District, where he has grown pedigree seed for the past 20 years. A former teacher of math and science at École Secondaire Franco-Cité Sturgeon Falls, he has served as a school trustee and as a municipal councillor. Mr. Beaudry is a provincial director of l'Union des cultivateurs franco-ontariens, provincial director of the Ontario Soil and Crop Improvement Association, and local president of West Nipissing Soil and Crop Improvement Association. He is a long-time supporter of research at the Verner test site, managed by the New Liskeard Agricultural Research Station.

Mr. Chris Button

Tenure with Agricorp Board:

July 5, 2004 to July 4, 2007

Mr. Button has provided financial services to people in the agri-food business since 1985. As a partner in the firm of DenHarder McNamers Button, Certified General Accountants, he advises clients on business finances and tax matters. Mr. Button graduated from the University of Western Ontario in 1983 with a B.A., and has since achieved his C.F.P., C.G.A., and Trust and Estate Practitioner designations. Since 1999 he has held several executive positions in the Aylmer and Area Chamber of Commerce and with the Business Retention and Expansion Project.

Mr. David Epp

Tenure with Agricorp Board:

February 7, 2007 to February 6, 2010

Mr. Epp lives in Leamington and is a third-generation farmer and co-owner of Lycoland Farms Ltd. With his brother, he farms 650 acres of processing tomatoes, peas, sweet corn, cucumbers, green and wax beans, seed corn, and cash crops. Mr. Epp has been very active with the Ontario Processing Vegetable Growers, as an elected District 1 representative since 1989, a provincial director since 1995, and Chair from 2001 to 2003. He holds a Bachelor of Theology from the Canadian Mennonite University.

Mr. George McCaw

Tenure with Agricorp Board:

March 2, 2005 to March 1, 2008

Mr. McCaw was raised on a cattle and grain farm in Middlesex County. After graduating from the University of Guelph with an M.Sc. in Agricultural Economics, he worked in Ottawa for the federal Department of Finance. Mr. McCaw worked as a policy advisor in 1990 at the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), then at Ridgetown College from 1990 to 1996. Moving to Guelph in 1996, his focus was business risk management programs, including Production Insurance and the Canadian Agricultural Income Stabilization program. Mr. McCaw worked for two years as Director of OMAFRA's Financial Management Branch and is currently Director of OMAFRA's Farm Finance Branch.

Ms. Barbara J. Miller

Tenure with Agricorp Board:

February 7, 2007 to February 6, 2010

Ms. Miller resides in Toronto, and is currently the President and CEO of Woodwyld Inc., a consulting firm working with clients whose business plans require the collaboration of private and public sectors. In the past, she held positions as Deputy Minister, Ontario Ministry of Economic Development and Trade, Division President, Ault Foods/Parmalat, and Chief Administrative Officer/Director, Food Industry Competitiveness, Ontario Ministry of Agriculture, Food and Rural Affairs. Ms. Miller's community involvement includes serving as Chair of the Innovation Institute of Ontario and member of the Institute of Agri-Food Policy Innovation Advisory Board. She holds a Bachelor of Food Science from the University of Guelph and a Masters in Business Administration from Queen's University.

Mr. John Van Turnhout

Tenure with Agricorp Board:

June 14, 2005 to June 13, 2008

Mr. Van Turnhout lives in Berwick, a small farming community southeast of Ottawa. He has been farming since the mid-1960s, in dairy, cash crop, and custom work. An active member of the community, he has served as Director of the St. Lawrence River Institute of Environmental Sciences and was a founding member of Stormont-Dundas-Glengarry Land Stewardship Program. Mr. Van Turnhout was also program leader for the Environmental Farm Plan for Stormont County.

Laying the Groundwork: Governance

Finance and Audit Committee

Agricorp's Board of Directors has appointed a Finance and Audit Committee to oversee and advise on the financial management of Agricorp, including:

- monitoring controllership and governance at Agricorp and reporting to the Board as appropriate;
- communicating Agricorp's business needs expectations, and priorities to the Ontario Internal Audit (OIA) Services;
- approving Agricorp's risk assessments and audit plans;
- monitoring the adequacy and timely implementation of actions taken in response to audit recommendations;
- ensuring compliance with the Internal Audit Directive; and
- meeting with the external auditors and the Auditor General staff as appropriate to review the year-end financial statements.

The committee also oversees the employee pension fund and Agricorp's investment management activities, including periodic reviews of the investment policy statements.

The following Board members make up the Finance and Audit Committee: Chris Button (Chair), Liam McCreery, George McCaw, and Henry Aukema.

Public Accountability

Agricorp is committed to public accountability and transparency. To support this commitment and ensure due diligence, we undertake a number of annual activities, including risk assessments, risk-based internal and external audits, and compliance reviews. Audits examine Agricorp's processes, payments, investments, program compliance, and annual financial statements. Our internal audit and program compliance activities are overseen by the Board's Finance and Audit Committee, which meets at least quarterly.

Every year, Agricorp conducts a risk assessment, including potential impacts of risks, across the organization. Each major risk area is evaluated and given an appropriate weighting to determine the overall risk. This risk assessment drives the development of a multi-year internal audit plan that considers both risk scores and normal cyclical audit reviews. Conducting the risk assessment annually ensures that any emerging issues or priorities receive immediate attention.

Agricorp also conducts internal compliance reviews to ensure the integrity of our processes, calculations, and payments. This

review includes dollar unit sampling of Production Insurance claims, random and specific sampling of CAIS program calculations, desk and field audits to verify the information provided by producers for our programs, and overall program compliance.

To ensure the necessary internal audit expertise and objectivity, Agricorp has contracted with the Ontario Internal Audit Services (OIAS) for internal audit services. External auditors are also used extensively to ensure program compliance as required by program administration agreements and to engage professional investigations personnel when further review is required. In general, Agricorp conducts at least three program compliance audits each year. In 2006-07, Agricorp conducted an internal audit of our Information Technology department. We also initiated a number of external audits, including the semi-annual audits of our Production Insurance investments, an external audit of the 2005-06 CAIS program, and a federal review of the CAIS Inventory Transition Initiative, as well as the Auditor General's annual audit of our financial statements.

Agricorp's Compliance Officer ensures that any suspected or potential breaches of our Code of Ethics or Conflict of Interest policies are investigated and resolved. Appropriate safeguards have been established to protect both Agricorp and its employees from conflicts of interest and the perception of conflicts of interest. The Compliance Officer also investigates complaints from the public regarding program participation.

Agricorp's Code of Ethics

Given our vision to be the recognized providers of agricultural risk management products, it is essential that all Agricorp employees and board members maintain the highest level of integrity and responsible conduct.

To this end, all representatives of Agricorp, including board members, officers, and permanent, contract, and part-time employees, must comply with an established Code of Ethics. The code provides a set of guidelines and ethical standards to be used by board members and employees in the day-to-day performance of their duties.

Each board member and employee must sign the Code of Ethics and Professional Conduct Declaration and must also declare, in writing, any known conflict of interest. The Code of Ethics is publicly available on our website at <http://agricorp.com/en-ca/about/ethics.asp>

Message From the CEO

Agricorp has had an extremely busy year, juggling multiple projects and competing priorities in a challenging environment. Staff have been balancing day-to-day processes with an intensive business improvement initiative that is aimed at building long-term strategies and capacity for the future. Add to this a higher volume of work as we processed a record number of transactions, issuing more than 98,000 cheques in 2006-07, compared with 35,000 cheques in 2005-06. In view of these challenges, we can be proud of many accomplishments. I would like to reflect back on the many highlights and hurdles we faced together over the past year.

“ Agricorp processed a record number of transactions, issuing more than 98,000 cheques in 2006-07, compared with 35,000 cheques in 2005-06. I would like to thank our staff for their commitment and contribution to our success over the past year. ”



Agricorp significantly improved our CAIS delivery this year, comparing favourably with the rest of the country. Since the program's inception in 2003, we have cut CAIS processing times in half. Our success in meeting our aggressive processing target for 2005 files was tempered by the challenges we faced in issuing the CAIS Inventory Transition Initiative (CITI) payments. The announcement of additional funding from the province in the form of the Ontario Inventory Transition Payment (OITP) effectively doubled the number of payments to be issued. While CITI and OITP payments were issued later than expected, we remained in line with other jurisdictions—despite our reliance on systems that were not designed for this level of complexity.

We made other customer-focused improvements and continue to put the needs of our customers first. We understand the difficult circumstances facing some Ontario producers and our staff are dedicated to providing the best customer service possible. In urgent situations when the need for funds is crucial, we have been able to provide a quick turnaround on processing to help our customers remain financially secure. We are especially proud of our results around processing CAIS interim payments and have led the country with an average turnaround time of two weeks or less.

On the product development side, Agricorp has made solid progress that will help ensure the stability and profitability of the horticulture sector. We worked closely with our industry partners to develop new fresh market vegetable plans that recognize the unique needs of this

Message From the CEO



sector. The new plans, which cover major losses at the field level, are being introduced on a limited enrolment basis for 2007 prior to their full implementation in 2008.

We also partnered with the apple and grape industries to develop an improved data management system that provides growers with the detailed crop information they need to make informed business decisions and increase their yields and returns. Our work in this area will also allow Agricorp to obtain the data essential to enhancing the Production Insurance program and CAIS delivery.

We recognize that there is room for improvement in our program delivery and are concentrating our efforts on continuous improvement. We remain focused on ensuring that we have the infrastructure necessary to meet our objectives for the future. We have reviewed key processes and are now in the final stages of drafting a detailed business plan, which will form a multi-year strategy for increased investment in our processes, people, and technology. The business plan confirms that we need common systems and processes that span all of our programs if we are to successfully deliver the level of service our customers expect.

I would like to thank our nearly 400 staff for their commitment and contribution to our success over the past year. I also thank our colleagues at the Ontario Ministry of Agriculture, Food and Rural Affairs, and Agriculture and Agri-Food Canada for their ongoing support.

Change is constant, and planning for both today and tomorrow is vitally important. I am confident that our strategy is on the right course so that Agricorp can achieve our optimum performance and reach our future goals.

Randy Jackiw

engagement

/ In'geidʒm(ə)nt, ɛn-/ *n.*

an appointment or arrangement: a business engagement; a pledge;
a moral commitment

In 2006-07, Agricorn realized a number of major achievements in the face of significant challenges. Although these challenges exerted considerable pressure on our resources and infrastructure, our staff faced them head-on and worked diligently to overcome them.

Our workload has grown, both in complexity and sheer volume. Despite the heavier workload, our performance remains in line with other jurisdictions in Canada according to delivery, timing, and cost measures.

Changes to the CAIS Inventory Valuation

In 2006, the federal government announced \$900 million in additional nation-wide funding to change the way the Canadian Agricultural Income Stabilization (CAIS) program values inventory, representing an estimated \$144 million for Ontario producers. This change was made retroactive to 2003 and all eligible CAIS files from 2003 to 2005 were recalculated using the new inventory valuation methodology. The Ontario government followed suit with additional provincial funding of \$96 million to satisfy the 60/40 federal/provincial split for CAIS funds.

Agricorn was called upon to perform the calculations and issue the funds under two transition programs: the CAIS Inventory Transition Initiative (CITI), funded by the federal government, and the Ontario Inventory Transition Payment (OITP), funded by the province.

Payments also took longer to deliver than expected. We had to manage day-to-day processing targets and significant system development and testing with limited resources and capacity. Although we had originally announced that cheques would start to flow in the fall of 2006, most payments were actually issued in December 2006 and the first three months of 2007. Agricorn delivered \$78 million under CITI and \$51 million under OITP by March 31, 2007.

As well, Agricorn decided to make getting CITI cheques out the door its first priority, rather than developing the statements that explain the CITI calculation. As a result, the statements were sent a few months after the cheques. This decision frustrated many customers who would have preferred getting their cheques and statements together or learning from a statement that they would not receive a cheque.

Agricorn faced multiple system problems while updating our aging technology to support the new, complex calculation requirements. We had the additional work of having to deal with data from as far back as 2003, the first year of the CAIS program, which, in many cases, had not been verified. In the early days of the CAIS program, verifying the data of files that were obviously not getting a payment was not a priority. Although Agricorn staff made significant effort to remedy the problematic data in processing CITI payments, we still made approximately 400 overpayments, most of which were related to the 2003 program year.

Agricorn is working with affected producers and continues to follow OMAFRA's direction to recover overpayments from future program payments rather than actively pursuing collection activities. In 2007-08 we plan to increase our focus on recovering overpayments and providing producers with more detailed information about outstanding amounts.

Into the Current

element / 'ɛlɪm(ə)nt / *n.*

atmospheric agencies or forces; weather; one of the substances, usually earth, water, air, and fire, formerly regarded as constituting the material universe.

Customer Satisfaction Survey

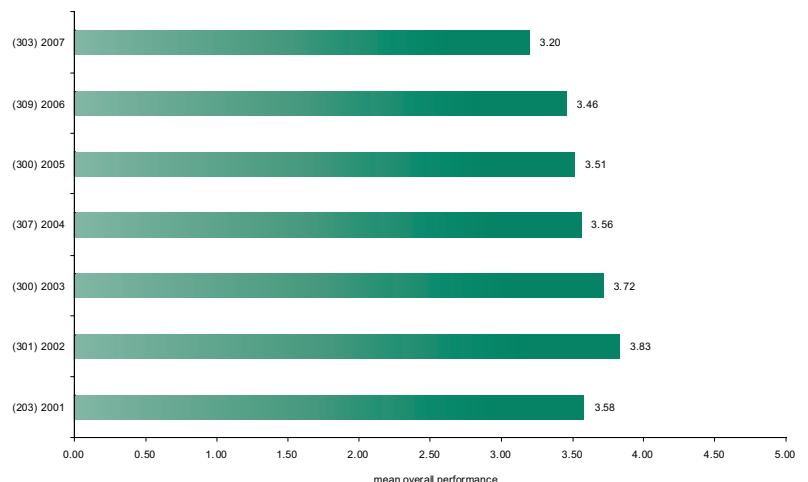
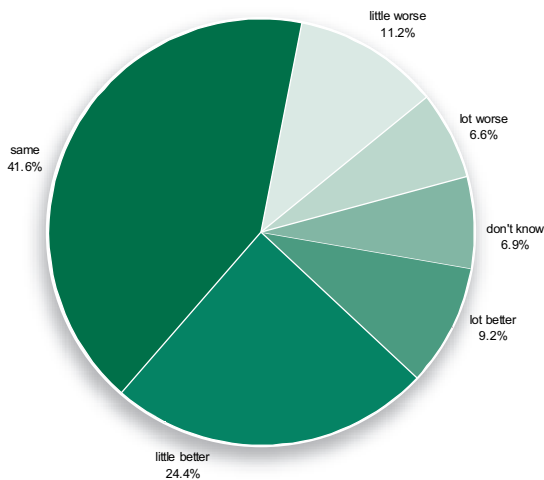
Agricorp conducts an annual Customer Satisfaction Survey, which asks a sample group of our customers to rate our performance compared to that of other agricultural companies. Although we scored quite well compared to other companies, our overall rating this year trended slightly downward from previous years.

When asked what Agricorp could do to improve our customer service, the top three suggestions from customers were to: improve the CAIS program, improve Call Centre performance, and make CAIS easier to understand.

Agricorp is developing action plans to respond to these suggestions. We are focusing on: training to improve our staff's overall program knowledge, and creating communications materials that are clear and easier to understand. These initiatives, along with our business improvement project, should go a long way to improve our CAIS delivery and our overall customer satisfaction.

“ Agricorp has made significant improvements to its operations, financial management, governance, and accountability standards. All recent federal and provincial audits have given Agricorp high praise in all of these areas. ”

Ontario Minister of Agriculture, Food and Rural Affairs, Leona Dombrowsky in a statement to the Ontario Federation of Agriculture, March 20, 2007



Overall performance compared to other agricultural companies.

Mean overall performance from 2001 to 2007.

Agricorp has achieved many delivery successes. We continue to work with the industry, and together we have been able to deliver new programs and program enhancements to help sustain Ontario's agriculture industry.



More than 15,000 producers enrolled in 2006 Production Insurance, insuring more than 4.4 million acres. Agricorp made significant delivery improvements in the 2005 CAIS program, and Agricorp continues to be one of the most cost effective delivery agents of the CAIS program.



Production Insurance

Production Insurance (PI) is one of the key elements of the federal-provincial-territorial framework for business risk management programming. Our oldest PI plans have been in place since 1966, and we depend on input from producers and farm organizations to develop new plans and enhancements. In 2006-07, our collaboration with industry resulted in two new plans for fresh market vegetables and processing tomatoes, and 18 plan improvements for the 2007 crop year. Agricorp enhanced the following crop plans: soybeans, apples, fresh market potatoes, seed corn, seed onions, premium and standard new forage seeding, Spanish onions, carrots, spring wheat, forage rainfall, black beans, cranberry beans, kidney beans, Japan/other coloured beans, and processing potatoes.

Agricorp also worked with industry to develop three-year plans, which help identify needs

and set priorities for future enhancements, for grains and oilseeds, horticulture, and livestock. As we move forward, we continue to engage commodity groups to ensure that any emerging concerns or needs are addressed in these plans.

More than 15,000 producers enrolled in the 2006 PI crop year, insuring more than 4.4 million acres. The elements were in producers' favour throughout the growing season, resulting in a lower than average claim year. Producers in general seem satisfied with the PI program.

CAIS Program

Agricorp continues to improve its quality and efficiency in delivering the CAIS program. Processing files quickly and accurately is very important to Agricorp's customers, many of whom depend on receiving timely benefits from this key risk management program.

Participation in the 2005 CAIS program increased by almost 300 participants, with more than 26,000 producers enrolled.

Despite the year's challenges, Agricorp made significant improvements in delivering the 2005 CAIS program, and Agricorp continues to be one of the most cost effective delivery agents of the CAIS program.

Highlights include:

- Processing 95 percent of eligible 2005 CAIS files by December 31, 2006, representing a 35 percent improvement in turnaround time from 2004.
- Processing interim payments well within our 14-day target for producers in urgent need
- Delivering more than \$201 million dollars in 2005 CAIS benefits to Ontario farmers.
- Delivering more than \$129 million dollars in the CAIS Inventory Transition Initiative and Ontario Inventory Transition Payments to eligible CAIS participants.
- Receiving nearly 2,300 files for the 2005 program year through the myCAIS website, more than doubling online submission from the 2004 program year.
- Processing amendments in 35 days, 45 percent faster than the national standard of 60 days.
- Producing a revised CAIS handbook with updated 2006 program year information.

Agricorp works continuously to improve relationships with our partners and other jurisdictions to remain responsive, manage expectations, and support policy decisions that affect delivery. Representatives from Agricorp contribute to national CAIS working groups to collaborate and improve on delivery. With the development of the next generation of agriculture and agri-food policy underway, Agricorp continues to support OMAFRA in federal-provincial-territorial policy discussions.

The challenges of the CAIS program over the past year have highlighted the external forces that influence Agricorp's work. During these times staff continue



to engage with industry, harnessing the elements to stay focused on enhancing our delivery. We will continue to work with industry to ensure we are delivering the CAIS program as effectively and efficiently as possible.

Improving Program Delivery

Over the year, we spent considerable time analyzing the way we currently deliver business risk management programs. We defined the direction we need to take to improve and looked at leading practices and process innovations from other organizations, such as banks, insurance companies, and other jurisdictions. As a result of this work, we designed more efficient delivery processes that reflect a more integrated approach to customer service. Our next step is to implement the technology and organizational infrastructure to support the new processes.

Igniting Innovation

As the agriculture industry continues to evolve, producers are looking for ways to remain competitive. With new specialty varieties and niche markets, producers are looking for more sophisticated programs to mitigate their risks. Agricorp continues to enhance risk management programs and broaden our use of technology. Engaging with industry, Agricorp has developed many innovative options for producers.



“ **The Fresh Vegetable Growers of Ontario (FVGO) is pleased to be working with Agricorp to add more Production Insurance options for fresh vegetable growers. I’m going to try it myself.** ”

Jason Ryder, Chair of the FVGO

Fresh Market Vegetable Plans

Working with industry and government, Agricorp developed new and enhanced Fresh Market Vegetable Plans that recognize the unique needs of the horticulture industry.

For a number of years, the fresh market vegetable industry has been asking for Production Insurance (PI) plans that better meet their needs. Federal and provincial ministers of agriculture supported enhancing the fresh market vegetable plans through the use of the acreage loss design, which insures individual fields and plantings separately so that a high yield in one will not offset a low yield in another.

For 2007, Agricorp developed a pilot project that covers 39 fresh market vegetable crops (including 18 new crops not already covered by PI), under four new plans: Root Vegetables, Leafy Vegetables, Fruit Vegetables, and Other Vegetables. The number and location of producers were limited for the 2007 crop year with the goal of making the new plans widely available for 2008. The initial rollout of the new plans was highly successful for 2007, with 39 producers insuring more than 3,000 acres.

Enhancing PI for fresh market vegetables in Ontario is a two-year project and one of the largest undertakings in Agricorp history. It is highly collaborative, with input from government, industry, and producers. These new Fresh Market Vegetable Plans remain a top priority for Agricorp.

Data Management System

In response to the increasingly complex and evolving business needs of the agriculture industry, Agricorp is developing more sophisticated products. The data management system (DMS) is a tool that will allow us to develop and deliver the next generation of programs.

Igniting Innovation

The web-based DMS technology will allow us to go beyond the traditional collection and storage of data at the enterprise level to collecting and storing data at the field level with detailed information on crop location, yield, production quality, and production practices. This level of detail will benefit both producers and Agricorp.

For Agricorp, DMS will provide a comprehensive database with the granular level of detail required to make enhancements to Production Insurance. It will also provide a source of reliable data for the Canadian Agricultural Income Stabilization (CAIS) program in the future, which could improve file processing times and accuracy.

Agricorp is already mapping and recording production data for most Ontario vineyards and apple orchards.

and production practices at the field level.

The DMS will allow Agricorp to meet the needs of the agriculture industry today, while being flexible enough to support and enhance Agricorp's programs in the future.

Differential Traits

Ontario producers are taking advantage of new crop varieties, specialty markets, and the premiums associated with them. The increased market prices associated with most of these new varieties depend on a specific, high-quality crop at harvest.

Traditional Production Insurance plans are based on quantity and do not protect producers from income losses due to poor quality. In particular, the soybean industry has been looking for ways to insure higher-



This advanced system proved its value to the grape and wine industry in 2006 when a plant health issue was discovered in Europe's grape vine nursery stock. The Ontario industry depends almost entirely on imported nursery stock to sustain and expand it. DMS is an integral component of tracking the planting and movement of grape vine nursery stock in case any plant health issues arise in the future.

DMS will also be an essential tool in delivering and sustaining the new PI Fresh Market Vegetable Plans. These new plans will be the first of the new generation of products that require the collection and analysis of data

value specialty varieties.

Agricorp has responded to this need and now offers two identity preserved (IP) options under the existing soybean plan: Tofu and Natto. The new options will allow producers to have an individual average farm yield and price for their IP product, in addition to a quality factor to compensate for beans that are affected by an insured peril and downgraded to the crush market.

The IT infrastructure we developed for these and other differential trait plans will allow Agricorp to develop and deliver other complex options in the future.

The Human Element

Having the right people in the right place at the right time to deliver our services is key to our success. In 2006-07, we focused on two initiatives:

- To attract, retain, and motivate the very best talent, and
- To improve internal communication to ensure alignment of our workforce with Agricorp's strategic objectives.



The survey identified that Agricorp is very strong in the areas of workforce diversity and equity, value of work and contribution, employee satisfaction, work-life balance, and corporate culture, and we have identified communication, and leadership and direction as two priorities for improvement over the next year.

Employee Engagement Survey

This year, we undertook our first ever Employee Engagement Survey to establish benchmarks for employee satisfaction and organizational effectiveness. It also provided an opportunity for employees to make their voices heard and influence things that matter to them at Agricorp. With a 79 percent response rate, the survey results provide an accurate snapshot of employee opinion throughout the organization.

To improve the workplace experience, we conducted focus groups to gain a better understanding of the survey results and our organizational strengths and weaknesses.

The survey identified that Agricorp is very strong in the areas of workforce diversity and equity, value of work and contribution, employee satisfaction, work-life balance, and corporate culture. We have identified communication, and leadership and direction as two priorities for improvement over the next year, and have developed an action plan. The Employee Engagement Survey will be conducted every 18 months.

Field Force Renewal

Agricorp has field staff across the province who provide face-to-face contact with our customers. Engaging and sharing timely information with staff who are away

The Human Element

from our head office has always been a challenge. In 2006-07, Agricorp made it a priority to better engage our field staff in our daily activities. This year, we provided adjusters with laptops, which allow them access to online producer information and email for more timely and efficient communication. Leveraging our field force and continuing to engage them in our business will be essential to meeting the needs of Ontario producers.

Employee Recognition

Our employee recognition program, High Five, was created to instill a culture of appreciation in the workplace and to raise staff awareness of Agricorp's core qualities: proactivity, professionalism, collaboration, efficiency, and quality focus.



2006-07 marked the first year of the formal awards component of the High Five program and elicited far more nominations than expected, including a nomination from three external customers. Fifty-eight individuals and nine teams were nominated for formal awards, and more than 20 informal recognition events took place throughout the year. Five employees received a formal award, embodying each of our five core qualities. Our employees have clearly embraced the High Five program, and 27 employees volunteered to be ambassadors.

The inaugural formal awards ceremony coincided with the 10-year anniversary of Agricorp, and we took the opportunity to recognize the staff who have been here since the company's inception. It is a testament to Agricorp's culture that we have so many employees with long tenure.

Performance Management

Agricorp maintains a vigorous performance planning and review process to connect our *Strategic Plan* and operational plan with individual employees' work, to ensure that all activities are aligned with our strategic direction, and to help each individual reach his or her full potential. This year, we formalized our performance planning policy and processes. We also provided all of our employees with clearer training on the policy, process, and use of performance planning tools. All employees have a performance plan in place.

Ongoing Learning and Development

Agricorp continues to build on our corporate training

The Human Element

element / 'ɛlɪm(ə)nt / *n.*

A fundamental, essential, or irreducible constituent of a composite entity:
Bricks and mortar are elements of every masonry wall.



high
five

initiative, providing employees with the information and skills required to continuously improve our organizational effectiveness. This year, we provided general interest courses, such as software training and conflict resolution, while managers participated in management development training.

Open Forums

To strengthen internal communication and reinforce connections between employees' work and our strategic objectives, we introduced Open Forums. The first set of Open Forums focused on updating employees on how we are doing in relation to our Strategic Plan, providing an opportunity for staff and managers to meet face-to-face, and giving employees a venue to ask questions.

Over 270 employees voluntarily attended one of four sessions featuring dialogues between senior management and employees. Employees asked more than 100 questions, and, according to staff evaluations, 73 percent of employees learned something new about our company. Eighty-five percent of attendees agreed we should continue to hold Open Forums. We are pleased with how successful these sessions were at engaging employees and will hold more regular Open Forums to promote an environment of open communication.

Community Engagement

Agricorp invests in the future of the agricultural community. As a good corporate citizen, we actively support and participate in our community.

“ We support our community in becoming a better place to live, work, and prosper. ”



Advanced Agricultural Leadership Program (AALP)

AALP's Mission: "To develop and support exceptional agricultural and rural leaders by creating life-long learning opportunities and delivering premier educational programs."

The Centre for Rural Leadership is an organization designed to offer agricultural and rural leadership programming and support the Advanced Agricultural Leadership Program. The AALP is a 19-month executive development opportunity for adults who are actively participating in Ontario's agriculture and food industry. It provides future industry leaders with the skills, knowledge, broad perspective, and positive outlook required to sustain our industry into the future. Agricorp supports the centre's mandate to "create a world of dynamic leaders," and contributed \$7,500 to the program in 2006-2007. Since 2002, Agricorp has been a program supporter, sponsoring a staff member to participate in the program.

Richelle Heffernan, our Agricorp graduate from AALP Class 11 (2005-2007), found that the techniques, teamwork, and engaging environment of the AALP program instilled in her a new level of self-confidence and a better understanding of urban/rural issues. "I came away with an expanded network, the hunger to take on new challenges, an appreciation for what a team can accomplish, and the understanding that it is possible to achieve whatever it is we put our minds to. I use what I learned from my AALP experience at Agricorp every day."

4-H Ontario

4-H Ontario helps youth between the ages of 10 and 21 develop important leadership skills and self-esteem. During the 2006-2007 fiscal year, Agricorp contributed \$7,500 to 4-H Ontario for the purchase of new achievement plaques for 4-H members. We also sponsored the 4-H Foundation Golf Tournament and Banquet, raising more than \$800 for 4-H Ontario. By engaging youth in their formative years, 4-H Ontario supports building future agricultural leaders.

Ronald McDonald House in Hamilton

Ronald McDonald Houses provide a home away from home for families of sick children who are undergoing treatment at nearby hospitals. Agricorp staff have been sponsoring Ronald McDonald House - Hamilton (RMH) as their chosen charity since 1998. In 2006-2007 Agricorp staff raised more than \$8,000 through payroll deductions and a pancake breakfast.

engage / In'geid₃, &n-/ v.

To involve oneself or become occupied; participate: engage in conversation.

No Stone Unturned

We are operating in a time of unprecedented change where customers insist on fast and flexible service. To make sure we can meet their needs well into the future, we must balance our day-to-day delivery with an eye to the future.

Next Generation of Agriculture and Agri-Food Policy

Federal, provincial and territorial ministers are working to develop the next generation of agriculture and agri-food policy that will ensure the continued growth and success of Canada's agricultural sector for many years to come.

Along with the new policy framework will come new business risk management programming and subsequent changes to the programs that Agricorp delivers. Sharing our unique delivery perspective with OMAFRA will help Agricorp prepare for upcoming changes and support the Minister's participation in these multilateral discussions.

Delivery

In addition to the day-to-day operations of a farming business, today's farmers are also focused on innovation, changing business markets, and scientific advances, such as bio-fuels and ethanol. This rapid change in agriculture is making our customers' time more valuable and raising their expectations for timely and effective program delivery.

We deliver several risk management programs, in many cases to the same customer. The synergies that exist between programs provide opportunities for both greater customer service and enhanced delivery efficiencies. To capture these benefits for our customers, we must align our people with efficient processes and effective technology. In the next three years, we will focus on updating our delivery processes and systems so we can integrate our delivery processes across programs.

Customer Service

With improved technology and increased availability of high-speed Internet access in rural communities, farmers are using the Internet more and more to collect



element / 'ɛlɪm(ə)nt / *n.*

One of the substances, usually earth, water, air, and fire, formerly regarded as constituting the material universe.

No Stone Unturned

and send information related to their farm businesses. With this enhanced access comes an expectation of choice of a range of service channels, including online, fax, email, phone, and mail. Ongoing efforts to create a new customer experience at Agricornp will mean more convenient service and improved communications.

People

Demographic shifts are changing the employment landscape. In the next few years, many people will be retiring from the workforce, dramatically reducing the number of skilled and professional employees in the labour force.

Our future depends on our ability to attract, retain, and motivate the most talented employees. We believe our people are the reason we are a successful and growing organization, and we will continue to integrate human resource planning with the organization's business planning to ensure that the right people are in place at the right time to deliver key services.

Looking Forward

Agricornp will continue to evolve our services and the way we deliver our programs, while fostering the skills and knowledge that will prepare us for the future. We will ensure that our strategic and operational plans support continued transparency and public accountability, and that our organization today secures a supported organization in the future.



The Flow of Funds

For 2006-07, Agricorp delivered \$545 million to Ontario farmers, \$33 million more than the \$512 million we delivered in 2005-06. Following are the programs under which these funds flowed to producers.

CAIS Program

The CAIS program has continued to evolve since Agricorp began delivering the program in December 2004. In 2006-07, more than 15,000 CAIS participants received program benefits of \$225 million. CAIS payments were supplemented by funding under the General Top-Up program and the Production Insurance Premium Adjustments (PIPA) that support the CAIS-PI linkage.

Production Insurance Fund

Producers experienced exceptionally good growing conditions but a very wet fall harvest in 2006, as well as higher commodity prices. Agricorp paid out claims of \$36 million, down from \$66 million in 2005. The PI fund balance now stands at \$322 million, up from \$251 million in 2005. However, as a result of higher commodity prices, Agricorp expects some premium rates to increase in 2007.

Government Ad Hoc Programs

In 2006, governments changed the way inventory was valued under the CAIS program. This change was made retroactive to 2003. All eligible CAIS files from 2003 to 2005 were recalculated using the new

inventory valuation methodology and additional funds were delivered under two transition programs: the CAIS Inventory Transition Initiative (CITI), funded by the federal government, and the Ontario Inventory Transition Payment (OITP), funded by the province. For 2006-07, Agricorp will deliver \$144 million under CITI and \$96 million under OITP.

Self-Directed Risk Management Program (SDRM)

In 2006-07, SDRM participants received \$25 million under the program.

General Fund

The General Fund supports the administration of all of Agricorp's programs. The fund remained steady, providing the necessary cash flow to maintain operations.

Recovery of Overpayments

Agricorp is fulfilling government policy to recover overpayments from government-funded programs that we deliver

Notes

- Financial details of various programs are shown in the segmented information in Note 13.

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 generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled indemnities, that are necessarily based on management's best estimates and have been made using careful judgement.

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 Finance and Audit Committee of the Board of Directors meets periodically with Agricorp's management and internal and external auditors to review the quality of financial reporting and internal accounting controls and the nature, extent, and results of the audits. In addition, this Committee reviews and reports on Agricorp's financial statements to the Board of Directors.

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

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



Randy Jackiw
Chief Executive Officer

Erich Beifuss
Chief Financial Officer



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

Auditor's Report

To AgriCorp

And to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2007 and the statements of operations and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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Toronto, Ontario
June 6, 2007

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

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Financial Statements

Balance Sheet March 31, 2007 (thousands)

	2007	2006
Assets		
Cash	\$ 13,752	\$ 3,025
Accounts receivable (Note 4)	530,897	445,508
Investments (Note 5)	362,002	408,355
Capital assets (Note 6)	4,540	2,988
Funds under administration (Note 7)	397	220
	\$911,588	\$860,096
Liabilities & Fund Balances		
Bank indebtedness	\$ -	\$ 307
Accounts payable and accrued liabilities	38,218	54,173
Unearned premiums and revenue (Note 10)	17,507	22,535
Provision for unsettled indemnities (Note 12)	520,383	522,866
Funds under administration payable (Note 7)	397	220
	576,505	600,101
Fund Balances (Note 13)	335,083	259,995
	\$911,588	\$860,096

See accompanying notes to financial statements.

On behalf of the board:

Liam McCreery
Chair

Randy Jackiw
Chief Executive Officer

Financial Statements

Statement of Operations and Fund Balances March 31, 2007 (thousands)

	2007	2006
Revenue		
Operating funding – Ontario and Canada (Note 9)	\$ 29,605	\$ 25,086
Premiums/contributions from producers	55,875	59,455
Program funding - Ontario and Canada (Note 3)	583,452	497,686
Sales, consulting and other services	6,794	9,709
Investment income	13,716	11,815
TOTAL REVENUE	689,442	603,751
Expenses		
Indemnities	564,214	512,438
Reinsurance (Note 11)	13,306	12,134
Administration	34,570	33,689
Depreciation	2,021	1,309
Bad debts	243	2,148
TOTAL EXPENSES	614,354	561,718
Excess of revenue over expenses	75,088	42,033
Fund balances, beginning of year (Note 13)	259,995	217,962
Fund balances, end of year (Note 13)	\$335,083	\$259,995

See accompanying notes to financial statements.

Financial Statements

Statement of Cash Flows March 31, 2007 (thousands)

	2007	2006
Cash Flows from Operating Activities		
Excess of revenue over expenses	\$ 75,088	\$ 42,033
Items not affecting cash resources:		
Depreciation of capital assets	2,021	1,309
Net change in accounts receivable	(85,389)	(39,096)
Net change in accounts payable and accrued liabilities	(15,955)	(33,948)
Net change in unearned premiums and revenue	(5,028)	4,749
Net change in unsettled indemnities	(2,483)	204,596
Cash flows from (used in) operating activities	(31,746)	179,643
Cash Flows from Investing Activities		
Purchase of capital assets	(3,573)	(2,945)
Decrease (Increase) in investments	46,353	(170,127)
Cash flows from (used in) investing activities	42,780	(173,072)
Net increase in cash	11,034	6,571
Cash (Bank Indebtedness) at beginning of year	2,718	(3,853)
Cash at end of year	\$ 13,752	\$ 2,718

See accompanying notes to financial statements.

1. NATURE OF OPERATIONS

The *AgriCorp Act, 1996* established AgriCorp as a Crown agency effective January 1, 1997. The Corporation was established without share capital. Its mandate is to design and deliver agricultural safety net plans and other food products and services to the farm, food, and rural sectors of Ontario. Safety net plans include Production Insurance, the Canadian Agricultural Income Stabilization Program (CAIS), the Ontario Grain and Oilseed Program, in addition to a number of other programs that provide various forms of assistance to farmers.

The Production Insurance Fund (Ontario Crop Insurance Fund) was established in 1966 and currently operates pursuant to the *Crop Insurance Act (Ontario), 1996*. For all major crops grown in Ontario, the Fund provides insured growers with protection against yield reduction caused by natural perils.

The Canadian Income Stabilization Program was established under the Canada-Ontario Implementation Agreement, which came into effect April 1, 2003. The program provides agricultural producers with protection against declines in farm income. In December 2004, the Corporation assumed responsibility for this program from the Ontario Ministry of Agriculture, Food and Rural Affairs.

The Ontario Grain and Oilseed Program was established under agreement between the Minister of Agriculture, Food and Rural Affairs and AgriCorp to compensate Ontario grain and oilseed producers for losses experienced on their 2005 crops.

Since January 2001, the Corporation has also been responsible for the delivery of the Farm Business Registration Program established under the *Farm Registration and Farm Organizations Funding Act, 1993*. The Corporation's obligations under an agreement with the Ministry primarily include registration of farm businesses, collection of registration fees, and forwarding the fees net of an administrative charge to Ontario's accredited General Farm Organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) Basis Of Accounting

The financial statements of AgriCorp have been prepared by management in accordance with Canadian generally accepted accounting principles. 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:

The Corporation uses fund accounting whereby each safety net program's activities are accounted for in segregated funds. The General Fund is used to account for all administrative costs and revenues, as well as for all un-segregated activities.

(B) Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the assets as listed below.

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

(C) Pension Plan

AgriCorp sponsors a contributory defined benefit registered pension plan for all full-time employees. The Corporation 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 prorated 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. The most recent actuarial valuation was as of January 1, 2006. The next actuarial valuation is expected to be completed as of January 1, 2009.

(D) Investments

Interest income, gains and losses on disposal, amortization of premiums and discounts, and write-downs to market value are reported in investment income. For some programs, interest earned on investments is applied to operating funding to offset program administration costs. Short-term investments are acquired primarily for the purpose of liquidity and are held for less than one year. Short-term investments are carried at cost, which approximates market value. Long-term investments

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

are acquired primarily in the Production Insurance Fund and are invested to earn interest for the Fund. Long-term investments are recorded at cost net of accumulated premiums and discounts amortized over the term to maturity.

(E) Provision for Unsettled Indemnities

The provision for unsettled indemnities relates to certain claims that remained unsettled at year-end and were either quantified based on settlement amounts after year-end or management's best estimates of future amounts to be paid for a program year. Actual indemnity payments could differ from management's estimates.

(F) Revenue Recognition

Premium revenues are recognized in the year in which the related crops are harvested.

(G) Use of estimates

The preparation of AgriCorp's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses and fund balances during the reporting period. Estimates and assumptions are made primarily in the determination of the balance for receivables from the funding partners for the programs and for the related provision for unsettled indemnities. Actual results could differ from such estimates.

3. CANADA-ONTARIO COST SHARING AGREEMENTS

(A) Production Insurance

The Canada-Ontario Implementation Agreement came into effect April 1, 2003 and expires March 31, 2008 or at a mutually agreed upon date. Under the terms of the Agreement, crop producers pay 40% of the insurance premium costs. The federal and Ontario governments share the remainder of the insurance premium costs on the basis of 60% and 40% respectively.

(B) Income Stabilization

For CAIS, participants must enrol in the program and pay an administration fee and an enrolment fee based on the selected

level of coverage and a reference margin based on the individual participant's production margin for specified prior years. A program benefit is paid to the participant based on their selected level of coverage when their current production margin falls below the set reference margin. The federal and Ontario government share the program costs on the basis of 60% and 40% respectively.

(C) Canada-Ontario General Top-Up Program

The Canada-Ontario General Top-Up Program was established under the Canada-Ontario Implementation Agreement. Under the terms of the Agreement, producers that participate in the Canadian Agricultural Income Stabilization Program (CAIS) and have received a payment under that program are eligible for a top-up payment that will be based on a fixed percentage of their 2003 and 2004 CAIS government benefits. The Canada-Ontario shared funding for the Program will not exceed \$88 million.

(D) Market Revenue Program

The Market Revenue Program was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement between the Government of Canada and the provinces and commenced operations on April 1, 1991. The Program was intended to protect farmers against reduced income caused by low market prices for certain designated crops. In February 2005, the Ontario government extended the Market Revenue Program to include the 2003 and 2004 crop years and announced the Program will be terminated when the program funds have been depleted.

(E) Ontario Edible Horticulture Crop Payment

The Ontario Edible Horticulture Crop Payment Agreement came into effect February 21, 2006 and expired on March 31, 2007. Under the terms of the Agreement, Ontario provided a maximum of \$35 million to compensate producers of edible horticulture crops for losses on their 2005 crops.

(F) Plum Pox Program

The Plum Pox Program was established pursuant to the Canada-Ontario Agreement on Responding to the Presence of the Plum Pox Virus in Ontario and came into effect on June 29, 2001. The Program is a multi-year plan to carry out the plum pox detection surveys and other activities to help contain or eradicate the plum pox virus in Ontario, and to

3. CANADA-ONTARIO COST SHARING AGREEMENTS (continued)

assist commercial tender fruit growers and commercial nursery operators with the cost of tree removal, destruction, replacement and asset loss incurred when trees are removed as part of the plum pox control measures. Canada and Ontario have agreed to share overall program cost based on funds available for agricultural assistance at each level of government.

(G) Self-Directed Risk Management

The Self-Directed Risk Management (SDRM) Program was established under the Canada-Ontario Implementation Agreement. Under the terms of the Agreement, a producer deposits into the Program account a percentage of their eligible net sales, and a matching contribution is also made into the account by the federal and/or Ontario governments. Claims are paid out of the Program account to participants, but the total payment amount for a program year shall not exceed the total available funds in the account. For the 2003 to 2005 program years, the federal and Ontario governments agreed to share program costs equally. For program years subsequent to 2005, the program cost is funded by Ontario.

(H) Ontario Grain and Oilseed Program

The Ontario Grain and Oilseed Program came into effect February 21, 2006 and expired March 31, 2007. Under the terms of the Agreement, producers of grains and oilseeds may be eligible to receive compensation for losses on their 2005 crops up to a maximum program cost of \$80 million.

(I) CAIS Inventory Transition Initiative (CITI) Program

The CAIS Inventory Transition Initiative Program came into effect May 18, 2006 and expires March 31, 2008. The federal government will pay 100% of the program costs, which for Ontario is forecasted at \$144 million.

(J) Ontario Inventory Transition Program (OITP)

The Ontario Inventory Transition Program (OITP) came into effect September 14, 2006 and expires December 31, 2007. The total cost for the program cannot exceed \$96 million for the 2003, 2004 and 2005 program years.



4. ACCOUNTS RECEIVABLE

Accounts receivable are comprised primarily of amounts due from the federal and Ontario government for program payments. The allowance for uncollectable amounts relates primarily to amounts due from producers as a result of overpayments and recalculations of the benefit due to the producer.

(thousands)	2007	2006
Government funding - Canada	\$ 309,691	\$ 233,992
Government funding - Ontario	196,868	162,029
Producer receivables	24,054	48,670
Trade	2,592	2,011
Due from Minister of Finance (Note 8)	382	427
Accrued interest	205	1,026
Allowance for uncollectable amounts	(2,895)	(2,647)
	<u>\$ 530,897</u>	<u>\$ 445,508</u>

5. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high-grade instruments 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

Investments are as follows:

(thousands)	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term	\$115,073	\$114,886	\$ 231,221	\$ 230,609
Long-term				
Government of Canada	43,324	43,199	29,175	29,045
Province of Ontario	79,472	78,296	47,012	46,371
Other provincial governments	48,317	47,409	63,098	61,743
Provincial utilities	32,271	32,858	31,285	32,374
Other financial institutions	43,545	42,618	6,564	6,703
Total long-term	246,929	244,380	177,134	176,236
Total Investments	<u>\$ 362,002</u>	<u>\$ 359,266</u>	<u>\$ 408,355</u>	<u>\$ 406,845</u>

5. INVESTMENTS (continued)

(B) Investment Risk

The coupon rates for the long-term bond portfolio range from 4.00% to 6.25% with a weighted average yield of 4.36%. Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual production insurance claim levels differed significantly from expected claims and liquidation of long term investment was required to meet obligations. At March 31, 2007, a 1% move in interest rates could impact the market value by approximately \$9.2 million.

(C) Maturity Profile of the Investment Portfolio

(thousands)	2007	2006
<1 Year	\$ 115,073	\$ 231,221
1–3 Years	82,482	58,684
3–5 Years	75,700	61,688
>5 Years	88,747	56,762
Total	\$ 362,002	\$ 408,355

6. CAPITAL ASSETS

(thousands)	March 31, 2007			2006
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware	\$ 5,070	\$ 4,239	\$ 831	\$ 834
Computer software	5,440	3,181	2,259	1,063
Leasehold improvements	1,461	483	978	880
Furniture and fixtures	626	154	472	211
	\$12,597	\$ 8,057	\$ 4,540	\$ 2,988

7. FUNDS UNDER ADMINISTRATION

The Corporation provides cheque production and cash management services for agricultural programs under various agreements with the Ontario Ministry of Agriculture, Food and Rural Affairs. The funds required to make payments under

7. FUNDS UNDER ADMINISTRATION (continued)

these programs are provided by Ontario and Canada. Associated program payments and expenses are not recorded in these Financial Statements.

(thousands)	2007	2006
Funds Under Administration		
Cash	\$ 397	\$ 220
Funds Under Administration Payable		
Canada-Ontario Repositioning Program	\$ —	\$ 56
Advanced Ontario Agricultural Payment	119	—
Ontario Farm Business Registration Program	258	130
Ontario Farm Income Disaster Program	12	—
Other	8	34
	\$ 397	\$ 220

8. DUE FROM THE MINISTER OF FINANCE

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada and Ontario. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada Treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of the Corporation.

9. OPERATING FUNDING – ONTARIO AND CANADA

Canada and Ontario have agreed to share the costs of administering the Production Insurance Fund and CAIS at the rate of 60% and 40% respectively, and have agreed to share equally the costs of administering the Self-Directed Risk Management Program. In prior years, administration costs for the Market Revenue Program were also shared equally. Since the Canada-Ontario Market Revenue Agreement has expired, Ontario provided the operating funding for the Program during the 2006/07 fiscal year.

10. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums paid in advance to the Ontario Production Insurance Fund for winter wheat (\$4.9 million) and other crops (\$6.0 million). These crops are not harvested until after the end of the fiscal year, giving rise to the deferral of the premiums received. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets (\$4.5 million) and administrative costs that are to be recovered from CAIS participants (\$2.1 million) when future program payments are made.

11. REINSURANCE AGREEMENT

The Corporation 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. Payments made by reinsurance companies represent claims submitted for crop losses incurred by the Corporation.

12. INDEMNITIES

The operating results for the current period includes over (under) provision for unsettled indemnities for prior years. The major over (under) provision changes are as follows:

	2007	2006
(thousands)	Over (Under)	Over (Under)
	Provision	Provision
Fund/Program		
Production Insurance Fund	\$ 1,820	\$ 300
Canadian Agricultural Income Stabilization Program	61,000	10,000
OGOP	2,994	-
SDRM	2,037	(1,045)

Notes to Financial Statements March 31, 2007

13. SEGMENTED INFORMATION (2007)

(thousands)	General Fund	Production Insurance Fund	CAIS	Ontario Grain & Oilseed Program	Canada - Ontario General Top-Up Program	Self-Directed Risk Mgmt Fund	Plum Pox Fund	Market Revenue Program	Ontario Edible Hort. Payment	CITI	OITP	Total 2007
Balance Sheet												
Cash	\$ 330	\$ 1,317	\$ 10,925	\$ 18	\$ 463	\$ 178	\$ -	\$ -	\$ 8	\$ (213)	\$ 726	\$ 13,752
Accounts receivable	9,938	4,068	410,711	-	14,295	10,516	1,865	424	202	46,884	31,994	530,897
Investments	2,991	328,818	-	-	5,856	2,492	-	-	-	13,901	7,944	362,002
Capital assets	4,540	-	-	-	-	-	-	-	-	-	-	4,540
Funds under administration	397	-	-	-	-	-	-	-	-	-	-	397
Total Assets	\$ 18,196	\$ 334,203	\$ 421,636	\$ 18	\$ 20,614	\$ 13,186	\$ 1,865	\$ 424	\$ 210	\$ 60,572	\$ 40,664	\$ 911,588
Bank indebtedness												
Accounts payable and accrued liabilities	\$ 5,434	\$ -	\$ 23,996	\$ 18	\$ 3,616	\$ 833	\$ 481	\$ 169	\$ 210	\$ 2,259	\$ 1,202	\$ 38,218
Unearned premiums and revenue	4,540	10,878	2,089	-	-	-	-	-	-	-	-	17,507
Provision for unsettled indemnities	-	1,517	390,001	-	16,998	12,353	1,384	355	-	58,313	39,462	520,383
Funds under administration payable	397	-	-	-	-	-	-	-	-	-	-	397
Total Program Liabilities	10,371	12,395	416,086	18	20,614	13,186	1,865	524	210	60,572	40,664	576,505
Fund Balances	7,825	321,808	5,550	-	-	-	-	(100)	-	-	-	335,083
Total Liabilities and Fund Balances	\$ 18,196	\$ 334,203	\$ 421,636	\$ 18	\$ 20,614	\$ 13,186	\$ 1,865	\$ 424	\$ 210	\$ 60,572	\$ 40,664	\$ 911,588

Notes to Financial Statements March 31, 2007

13. SEGMENTED INFORMATION (2006)

(thousands)	General Fund	Production Insurance Fund	CAIS	Ontario Grain & Oilseed Program	Canada - Ontario General Top-Up Program	Self - Directed Risk Mgmt Fund	Plum Pox Fund	Market Revenue Program	Ontario Edible Hort. Payment	CITI	OITP	Total 2006
Balance Sheet												
Cash	\$ 358	\$ 490	\$ 1,682	\$ 27	\$ 144	\$ 322	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 3,025
Accounts receivable	6,428	3,994	383,923	981	10,436	27,041	7,252	476	4,977	-	-	445,508
Investments	3,981	267,473	-	78,973	24,947	2,983	-	-	29,998	-	-	408,355
Capital assets	2,988	-	-	-	-	-	-	-	-	-	-	2,988
Funds under administration	220	-	-	-	-	-	-	-	-	-	-	220
Total Assets	\$ 13,975	\$ 271,957	\$ 385,605	\$ 79,981	\$ 35,527	\$ 30,346	\$ 7,252	\$ 476	\$ 34,977	\$ -	\$ -	\$ 860,096
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307	\$ -	\$ -	\$ -	\$ -	\$ 307
Accounts payable and accrued liabilities	3,077	180	43,127	-	1,308	1,256	5,124	101	-	-	-	54,173
Unearned premiums and revenue	3,068	16,165	3,302	-	-	-	-	-	-	-	-	22,535
Provision for unsettled indemnities	-	4,132	338,280	79,981	34,219	29,090	1,821	366	34,977	-	-	522,866
Funds under administration payable	220	-	-	-	-	-	-	-	-	-	-	220
Total Program Liabilities	6,365	20,477	384,709	79,981	35,527	30,346	7,252	467	34,977	-	-	600,101
Fund Balances	7,610	251,480	896	-	-	-	-	9	-	-	-	259,995
Total Liabilities and Fund Balances	\$ 13,975	\$ 271,957	\$ 385,605	\$ 79,981	\$ 35,527	\$ 30,346	\$ 7,252	\$ 476	\$ 34,977	\$ -	\$ -	\$ 860,096

Notes to Financial Statements March 31, 2007

13. SEGMENTED INFORMATION (2007)

(thousands) Statement Of Operations And Fund Balances	General Fund	Production Insurance Fund	CAIS	Ontario Grain & Oilseed Program	Canada - Ontario General Top-Up Program	Self - Directed Risk Mgmt Fund	Plum Pox Fund	Market Revenue Program	Ontario Edible Hort. Payment	CITI	OITP	Total 2007
Revenue												
Operating funding	\$ 29,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,605
Premiums/contributions from producers	-	41,194	10,686	-	-	3,995	-	-	-	-	-	55,875
Program funding	-	63,064	277,145	(2,994)	1,700	3,995	934	(126)	(122)	144,000	95,856	583,452
Sales, consulting and other services	6,794	-	-	-	-	-	-	-	-	-	-	6,794
Investment income	407	13,293	-	-	-	-	-	16	-	-	-	13,716
Total Revenues	36,806	117,551	287,831	(2,994)	1,700	7,990	934	(110)	(122)	144,000	95,856	689,442
Expenses												
Indemnities	-	33,673	283,177	(2,994)	1,700	7,990	934	-	(122)	144,000	95,856	564,214
Re-insurance	-	13,306	-	-	-	-	-	-	-	-	-	13,306
Administration	34,570	-	-	-	-	-	-	-	-	-	-	34,570
Depreciation of capital assets	2,021	-	-	-	-	-	-	-	-	-	-	2,021
Bad debts	-	244	-	-	-	-	-	(1)	-	-	-	243
Total Expense	36,591	47,223	283,177	(2,994)	1,700	7,990	934	(1)	(122)	144,000	95,856	614,354
Excess (deficiency) of revenue over expenses	215	70,328	4,654	-	-	-	-	(109)	-	-	-	75,088
Fund Balances, beginning of year	7,610	251,480	896	-	-	-	-	9	-	-	-	259,995
Fund Balances, end of year	\$ 7,825	\$ 321,808	\$ 5,550	\$ -	\$ -	\$ -	\$ -	\$ (100)	\$ -	\$ -	\$ -	\$ 335,083

Notes to Financial Statements March 31, 2007

13. SEGMENTED INFORMATION (2006)

(thousands) Statement Of Operations And Fund Balances	General Fund	Production Insurance Fund	CAIS	Ontario Grain & Oilseed Program	Canada - Ontario General Top-Up Program	Self- Directed Risk Mgmt Fund	Plum Pox Fund	Market Revenue Program	Ontario Edible Hort. Payment	CITI	OITP	Total 2006
Revenue												
Operating funding	\$ 25,086	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,086
Premiums/contributions from producers	-	44,562	896	-	-	13,997	-	-	-	-	-	59,455
Program funding	-	64,506	258,499	79,981	34,218	13,997	11,632	(124)	34,977	-	-	497,686
Sales, consulting and other services	9,709	-	-	-	-	-	-	-	-	-	-	9,709
Investment income	196	11,499	-	-	-	-	-	120	-	-	-	11,815
Total Revenues	34,991	120,567	259,395	79,981	34,218	27,994	11,632	(4)	34,977			603,751
Expenses												
Indemnities	-	66,386	257,250	79,981	34,218	27,994	11,632	-	34,977	-	-	512,438
Re-insurance	-	12,134	-	-	-	-	-	-	-	-	-	12,134
Administration	33,689	-	-	-	-	-	-	-	-	-	-	33,689
Depreciation of capital assets	1,309	-	-	-	-	-	-	-	-	-	-	1,309
Bad debts	-	912	1,249	-	-	-	-	(13)	-	-	-	2,148
Total Expense	34,998	79,432	258,499	79,981	34,218	27,994	11,632	(13)	34,977			561,718
Excess (deficiency) of revenue over expenses	(7)	41,135	896	-	-	-	-	9	-	-	-	42,033
Fund Balances, beginning of year	7,617	210,345	-	-	-	-	-	-	-	-	-	217,962
Fund Balances, end of year	\$ 7,610	\$ 251,480	\$ 896	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ -	\$ -	\$ -	\$ 259,995

14. PENSION PLAN

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The changes for AgriCorp's defined benefit plan during the year are as follows:

(thousands)		2007	2006
Accrued benefit obligation			
Balance at beginning of year		\$ 8,152	\$ 5,487
Current service cost		1,215	967
Interest cost		556	406
Employee contributions		844	707
Benefits paid		(202)	(178)
Actuarial loss (gain)		-	763
Balance at end of year		\$ 10,565	\$ 8,152
Plan assets			
Fair value at beginning of year		\$ 6,698	\$ 4,827
Actual return (loss) on plan assets		883	510
Employer contributions		1,020	832
Employee contributions		844	707
Benefits paid		(202)	(178)
Fair value at end of year		\$ 9,243	\$ 6,698
Funded status			
Plan surplus (deficit)		\$ (1,322)	\$ (1,454)
Unamortized Actuarial (gain)/loss		1,065	1,462
Unamortized transitional (obligation) asset		(117)	(130)
Accrued benefit asset (obligation)		\$ (374)	\$ (122)

The accrued benefit obligation for the pension plan is included in accounts payable and accrued liabilities.

Notes to Financial Statements March 31, 2007

The significant actuarial assumptions adopted in measuring AgriCorp's accrued benefit obligations are as follows:

		2007	2006
Discount rate		5.5%	5.5%
Expected long-term rate of return on plan assets		7.0%	7.0%
Rate of compensation increase		4.0%	4.0%

AgriCorp's net benefit plan expense is as follows:

(thousands)		2007	2006
Current service cost		\$ 1,215	\$ 967
Interest cost		556	406
Expected return on plan assets		(527)	(385)
Amortization of transitional (obligation) asset		(13)	(13)
Amortization of unrecognised (gain) loss		41	21
Net benefit plan expense		\$ 1,272	\$ 996

An external investment advisor manages the investments held by the pension plan. Plan assets are invested in three balanced funds (94%) and one global equity fund (6%).

15. COMMITMENTS AND CONTINGENCIES

Lease commitments

AgriCorp leases its office premises. The minimum aggregate rentals for the unexpired terms of these leases are:

(thousands)	
2008	\$ 1,288
2009	1,431
2010	1,431
2011	1,431
	\$ 5,581

15. COMMITMENTS AND CONTINGENCIES (continued)

Contingencies

The Corporation provides for the estimated indemnities for the various programs based on crop years for Production Insurance and taxation years for CAIS and most other programs. The primary information for the processing of the claims for the 2006 CAIS program (and other similar programs) is based on information that is not due to AgriCorp until June 30, 2007. Consequently, AgriCorp estimates the amount that is expected to be payable for the year based on statistical data, prior year information, and farm production prices. The actual amount payable for these indemnities could vary substantially from the amount recorded in the financial statements.

16. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from the Ontario Ministry of Agriculture, Food and Rural Affairs. The cost, at fair market value, for the administrative, legal and audit services amounted to \$956,000. In addition, the Corporation rents their head office location from the Ontario Realty Corporation for a total cost for the year of \$1,213,000.

17. BOARD REMUNERATION AND SALARY DISCLOSURE

Total remuneration to members of the Board of Directors was \$26,460 during the year ending March 31, 2007 (2006 – \$23,762).

The Public Sector Salary Disclosure Act, 1996, requires the Corporation to disclose employees paid an annual salary in excess of \$100,000. For the 2006 calendar year, the amounts paid to such individuals is as follows:

Name	Position	Salary	Taxable Benefits
Brown, Greg	Executive Director, Business Development	\$ 108,983	\$ 14,679
Gallagher, Jocelyn	Director, Human Resources	110,895	424
Ip, Stephen	Director, Information Technology	107,844	6,423
Jackiw, Randy	Chief Executive Officer	163,357	9,089
McMorris, Michael	Director, Operations	110,629	430
Stroeter, Reinhold	Director, Corporate Services	123,334	6,477

18. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the financial statement presentation adopted in the current year.



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