



Delivering a strong, consistent performance

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Who we are

Agricorp was created as a provincial crown corporation in 1997 under the authority of the *AgriCorp Act*, 1996 to deliver business risk management programs to Ontario producers. Under the agency model, it provides specialized technical agronomic expertise and offers flexibility in administration and independent decision making. Its governance framework ensures customer needs are understood and services are delivered in a manner that meets the expectations of government and industry.

What we do

Ontario's producers work hard in an increasingly complex and demanding environment. It requires commitment, an entrepreneurial spirit, a passion for what they do and the industry they are part of and an understanding of the risks that can occur.

All over the world, governments offer agricultural risk management programs to protect global commodities, food supply and the economic engine that is agri-business. Agricorp is proud to deliver these critical programs and services in Ontario.

We connect producers with programs. We deliver AgriStability, Production Insurance and the Risk Management Program along with other programs and services to support producers and the agricultural industry. Our mandate has always been the delivery of business risk management programs that protect Ontario producers against major business and agricultural risks outside their control.

The Ontario Ministry of Agriculture and Food (OMAF) and the Ontario Ministry of Rural Affairs (MRA) are responsible for program design and Agricorp works closely with the ministries to provide program delivery and operational considerations when developing or changing program policies.

Over the years, Agricorp has demonstrated an ability to continuously improve products and services, to deliver new programs and program changes and to provide quality and timely service.

How we operate

Agricorp requires a diversity of staff with expertise ranging from finance, risk management and communications to human resources, legal and public administration. Agricorp is also deeply rooted in the industry it serves. Many of our staff come from farming backgrounds, have deep agricultural knowledge and specialized program expertise. That knowledge and expertise is put to work in head office and in the field, delivering the business risk management solutions producers need.

We also have a clearly-articulated strategy based on government and industry needs, customer service, integrated technology and program delivery strengths.

To deliver on our mandate, we rely on:

- A governance model that sets a clear strategy and provides effective organizational oversight to ensure results are achieved in a manner that follows sound business practices and complies with prescribed legislation and government directives.
- Specialized industry expertise and professional capabilities.
- Agility within the agency to respond to program changes in a timely way.
- Predictable, consistent and high-quality processes and industry best practices to ensure effective and professional delivery of programs.
- Integrated technology solutions that support processes required to deliver programs.
- Transparent reporting practices that ensure performance is measured and monitored, targeted results are achieved and issues are identified and managed proactively.
- A collaborative approach with stakeholders and OMAF and MRA to ensure programs and services meet industry needs and align with government direction.

Vision

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

Mission

We connect producers with programs.

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

Delivery is our strength.

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

Customers are our priority.

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

Our people are the foundation of our success.

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

We are publicly accountable.

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

Chair's message

Challenge, change and commitment

As a producer in Ontario, I am passionate about agriculture and about the impact this sector has on the province's economy – a sector that contributes \$34 billion annually.¹ I am also keenly aware of the challenges this industry faces. Weather, diseases in livestock and crops and market volatility are just some of the perils that can threaten yields and sideline profits. It can happen in an instant and can be devastating to individuals, the industry, rural Ontario and the economy.



This is why business risk management programs exist. AgriStability, Production Insurance and the Risk Management Program (RMP), the three core programs in the suite of business risk management programs managed by Agricorp, were developed with that goal in mind: to help producers mitigate the inherent risks associated with farming. By managing these risks, producers could then focus on the other important activities relating to running their operation, including enhancing their business practices, improving their products, or developing more robust marketing strategies to respond to consumer demands.

As a board, we determine the overall strategic direction for Agricorp. In 2013-14, the agency's strategy was to focus on three directional themes:

- Operational efficiency and effectiveness to continue to demonstrate value for money.
- Investment in infrastructure to provide a holistic customer experience.
- Reduce the burden on producers to make it easier to do business with us.

To support Agricorp's strategy, in 2013-14, we completed a series of reviews at both the program and agency level to help identify the necessary improvements. The Agricorp Review was undertaken to assess policies, programs and processes that cut across the agency and ministry, and to identify opportunities for efficiencies. Part of the review included an assessment conducted by KPMG. The benchmarking assessment compared Agricorp

against other jurisdictions and concluded Agricorp is an efficient and effective delivery agent. Having that third-party validation confirmed the work we are doing is moving us in the right direction to become an even more efficient and effective deliverer of business risk management programs for the industry.

“The benchmarking assessment compared Agricorp against other jurisdictions and confirmed Agricorp is an efficient and effective delivery agent.”

Changes to AgriStability under Growing Forward 2 provided a timely opportunity for us to conduct an internal review of AgriStability to look for efficiencies in its delivery. Several process changes were identified and will be implemented in 2014 that will result in adjustments to how we collect information and manage claims and underwriting. As well, we initiated an RMP efficiency review to look for reductions in administration and resources required to deliver the program. Finally, to ensure our programs remain relevant to producers, we worked with the industry to make changes to several Production Insurance plans including forage, apples and tender fruit, and to introduce a pilot program for ginseng. These changes have been implemented for the 2014 program year.

¹ Kennedy, Brent, Director, Regional Economic Development Branch, OMAF and MRA, Regional Economic Development Programs & Services, 2013 Fall Summit

With the completion of these reviews, we also evaluated our staffing requirements. The board made the difficult decision early in 2014 to downsize the organization to ensure that we entered the new fiscal year with confidence that our expenses were aligned with the approved funding allocation. Since staffing costs represent a large portion of our expenses, we also continue to take a conservative approach to compensation. We are committed to remaining in full compliance with the letter of and intent of all compensation legislation. Prudently managing our staffing costs will ensure Agricorp remains a cost-effective deliverer of programs and services.

“Creating a holistic customer experience and making it easier to do business with us continues to lead our strategic agenda – and our strategy is clearly progressing.”

2013-14 was also a very important year for advancing Agricorp’s IT strategy. By making incremental improvements to our technology infrastructure and business processes over the last several years, Agricorp’s direction has retained its focus on achieving operational efficiency and effectiveness. We have completed phase one of the IT strategy. This is a significant step forward as we now have a solid foundation of IT systems on which to expand online services and automate more processes to better serve our customers. Creating a holistic customer experience and making it easier to do business with us continues to lead our strategic agenda – and our strategy is clearly progressing.

Finally, the board’s commitment to excellence in corporate governance and to the highest standards of conduct assures the interests of Agricorp are aligned with the interests of governments and industry. This is supported by producers who consistently tell us that we operate with the utmost integrity in our customer satisfaction survey.

Achieving good governance, however, is not a fixed target. It requires an influx of new ideas, new approaches and new points of view. To that end, I’d like to welcome four new members to our board. Gino Cozza, Sheryl King, Patricia Lorenz and Maria Van Bommel bring with them significant financial experience, agriculture expertise and public sector knowledge. This will ensure the right skills mix, training and succession plans are in place for an effective board. I also want to thank the board of directors for their continued oversight, support and input this past year.

Our focus for the future is unequivocal and unchanged: ensuring that our ongoing dialogue with the ministries, provincial and federal governments and industry will produce the right conditions for delivering on our strategy. I offer my thanks to management and all employees for their commitment to our priorities in the past year.

I look forward to continuing the dialogue.

Larry Skinner
Chair

Agricorp governance

Agricorp is governed by legislation and directives that guide Ontario agencies in the delivery of services to the public. Agricorp staff and the board work collaboratively with the ministry. The agency's board chair reports to the minister of agriculture and food. The board and its committees play a central role in ensuring government direction and expectations are translated into strategy, and provide direction, oversight and advice to the CEO. Ministry staff monitor the agency's governance and provide advice to the minister as outlined in the Agency Establishment and Accountability Directive.

Agricorp refines and reviews its governance practices to adapt and strengthen policies and procedures to ensure they remain effective. Strong governance ensures agency objectives are realized, resources are well managed, and the interests of all stakeholders are protected and reflected in key decisions.

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

Legislative framework

The *AgriCorp Act*, 1996, outlines Agricorp's purpose, powers, mandate and structure. Agricorp is responsible for the judicious use of public resources and for carrying out its established mandate.

As an agency of the provincial government, Agricorp is publicly accountable and undergoes regular audits by internal, provincial and federal auditors. Agricorp upholds best management principles, including ethical behaviour and prudent use of public funds.

Code of Ethics, Oaths of Office and Allegiance

Agricorp has a comprehensive Code of Ethics outlining professional conduct and standards of ethical behaviour and responsibility which Agricorp expects from its employees and board members. All employees and board members sign an annual acknowledgement of this code. The Oaths of Office and Allegiance for new employees reinforce the serious obligations and responsibilities employees fulfill as members of the public service.

Government directives

Agricorp must comply with provincial government directives that guide agencies in the delivery of services to the public. The Agency Establishment and

Board of directors

Agricorp's board members are appointed by the lieutenant-governor through an order-in-council on the recommendation of the minister of agriculture and food. Members serve terms of up to three years and may be reappointed.

Agricorp's board members are agriculture, business and community leaders, whose broad experience, both individually and collectively, are invaluable assets to the organization's oversight.

During 2013-14, Agricorp's board of directors consisted of the following members:



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

Larry is a full-time swine farmer who served on the board of Ontario Pork for eight years, three of those as chair. Before he began farming, he worked as an agricultural lender for TD Bank. He graduated May 2013 with a master of divinity degree from the University of Toronto. In May 2012, Larry was re-appointed as chair for another three-year term.



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

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

Accountability Directive provides the accountability framework within which Agricornp operates. Specific directives fall under the following three broad categories:

- Business planning and financial management includes directives on delegation of authority, and travel, meal and hospitality expenditures.
- Accountability and governance includes directives on procurement and internal audit.
- Information and information technology management includes directives on privacy and freedom of information.

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

Memorandum of understanding

A memorandum of understanding (MOU) defines the relationship between Agricornp and OMAF and MRA and clarifies expectations and reporting requirements. The MOU also outlines the roles and responsibilities of the chair of the board, the board of directors and the chief executive officer, as well as the roles and responsibilities of the minister and the deputy minister with respect to the management of the agency.

Corporate governance

Board composition and succession

The board is composed of a minimum of five board members, all of whom are appointed, on the recommendation of the minister, by the lieutenant-governor by order-in-council. The board proactively supports the appointments process to ensure that the board has the right mix of skills, experience and perspectives to be successful. Board member recommendations are made to the minister of agriculture and food.

The board follows best practices in corporate governance including:

- director orientation process
- continuous individual director and board development
- board training sessions
- board succession planning
- annual board self-assessment
- regular *in-camera* sessions
- an annual strategy session
- standing agenda items for strategy development and organizational reporting and oversight.



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

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



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

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



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

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

Board of directors continued ►

Board responsibilities

The board by-laws provide guidelines for board governance and document the roles and responsibilities of the chair, board members and board committees including:

- fiduciary and operational oversight
- strategic planning
- risk management and internal controls
- legal and ethical conduct
- director orientation, continuing education and evaluation
- liaison with OMAF and MRA.

Board committees

Agricorp's board committees assist the board of directors by considering and making recommendations on key areas of board responsibility. Two committees, the Finance and Audit Committee and the Governance and Human Resources Committee, provide oversight and advice to the board in these areas.

Finance and Audit Committee

The Finance and Audit Committee is tasked by the board of directors to oversee and advise on audit and financial management of Agricorp.

Finance and Audit Committee members include Dave Epp (chair), Harry Stoddart, Robert Emerson, Rosemary Davis, Larry Skinner, Gino Cozza and Sheryl King.

The committee specifically focuses on the following areas:

- Implementing the audit control framework by developing and recommending approval of the annual audit plan, meeting regularly with Ontario Internal Audit, receiving and reviewing audit reports, and reviewing how management responds to and acts on audit recommendations.
- Reviewing and recommending the annual financial attestation audit plan.
- Overseeing and monitoring how management assesses, plans and responds to business risks and emerging risks.
- Reviewing, recommending and overseeing Agricorp's investment policies for funds such as the Production Insurance fund and the pension plan fund.
- Overseeing the financial reporting process.
- Reviewing and recommending approval to the board of the Agricorp audited financial statements and the pension plan financial statements.
- Overseeing the employee pension fund and Agricorp's investment management activities, including periodic reviews of the investment policy statements.



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

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



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

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



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

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

Governance and Human Resources Committee

The Governance and Human Resources Committee is responsible for providing oversight and advice on corporate governance and human resource matters at Agricorp.

Committee members include Bill Allison (chair), Dave Epp, Rod Stork, Larry Skinner, Patricia Lorenz and Maria Van Bommel.

The committee focuses on the following areas:

- Recommending changes to Agricorp's mandate and role, reviewing and recommending an MOU between the chair and the minister, and annually reviewing and updating all corporate governance documents.
- Reviewing and making recommendations on Agricorp's total compensation philosophy and programs.
- Providing advice on criteria and potential candidates for appointment to the board, and monitoring and recommending training and development programs for directors.
- Overseeing and reviewing Agricorp's total compensation policy and program, specifically ensuring compliance with relevant legislation.
- Identifying opportunities to improve the director nomination and appointment process.

- Monitoring and recommending improvements to the annual process of assessing board effectiveness, including committees and individual directors.
- Recommending appropriate engagement strategies for key stakeholders with whom the board interacts.



Agricorp's 2013-14 board of directors

Left to right standing: Patricia Lorenz, Harry Stoddard, Rod Stork, Gino Cozza, Sheryl King, Robert Emerson, William Allison and Maria Van Bommel.

Left to right sitting: David Epp, Larry Skinner and Rosemary Davis.



Harry Stoddard
(Kawartha Lakes)
May 30, 2012 –
May 29, 2015

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



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

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



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

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

CEO's message

Delivering strong, consistent performance

The one thing that's predictable about Ontario agriculture is its unpredictability. Weather, once again, was a big story for the industry this year. The 2013 growing and harvesting season varied from location to location with significant differences in rainfall, temperature and storm activity. On the whole, crop yields were generally at or above average with varying degrees of quality across the province.



I take a great deal of satisfaction knowing the role the business risk management programs play in the volatile business of farming. Farmers have a lot of capital at stake, and these programs help to ensure risks are mitigated, and allow them to focus on innovation, and investment in the future, without betting the farm.

During this past year, we continued to work with industry to ensure their changing needs are being met. You will see in this report that staff did a significant amount of work this year with producer groups to ensure programs continue to be relevant. We undertook several program reviews that have resulted in enhancements to specific programs or improvements to our processes. We engaged with the commodity groups and Risk Management Program reference committees to review efficiencies we implemented and garner input on future improvement opportunities.

In response to the unprecedented loss of apples and overall difficult 2012 crop year, we worked closely with the Ontario Apple Growers, the Ontario Tender Fruit Producers' Marketing Board and OMAF and MRA to improve specific Production Insurance plans. Consultations with these groups provided meaningful input into the work and resulted in enhancements to the apple and tender fruit plans. Also in 2012, producers faced extreme challenges due to the hot and dry crop season leading to forage shortages and high replacement costs. This year, we implemented significant enhancements to the Production Insurance forage rainfall plan to better reflect the impact of rainfall shortages.

Occasionally, the industry comes to us to provide a service. When participating commodity groups created the Farmer's Risk Management Premium Fund, Agricorp was contracted to deliver these additional payments to producers. Using our established systems allowed us to deliver this program quickly, effectively and with great cost efficiency.

“Efficient and effective program delivery is important to us and our customers continue to tell us we are doing it well.”

I am also very proud of our customer service and cost efficient performance. In addition to the customer satisfaction survey work we do annually, this year we also undertook a benchmarking study conducted by KPMG. The study found that in comparing Agricorp with other similar provincial and private agencies in the U.S. Agricorp is, “performing similarly or better than our comparators for all indicators used in the review and are providing good value for money.”

Efficient and effective program delivery is important to us and our customers continue to tell us we are doing it well. The annual customer satisfaction survey conducted by IPSOS Reid, solicited input from 600 producers across the different regions and commodities. It concluded that producers rank Agricorp highly when it comes to efficient program delivery. More than 90 per cent of participants told us Agricorp performs better or the same as other

companies and institutions they regularly deal with. I take this as solid proof the industry believes we are an organization that knows what we are doing and is efficient at what it does.

This year we also completed phase one of our IT strategy which included broadening and strengthening our infrastructure and investing in technology to make it easier and faster, and thus, more efficient for customers to do business with us. We have developed a roadmap which outlines a clear path for the creation of future online services and tools. Additional online services have been prioritized based on value to our customers and efficiency gains for Agricorp. We are committed to a plan of continuous improvement knowing that the expectations of our customers, of commodity groups and of our government partners will also continue to increase.

As an agency, our goal is to be aware of, ideally anticipate whenever possible, government direction and industry trends so that we can align our operation pre-emptively. As part of the federal, provincial and territorial Growing Forward 2 agricultural policy framework, significant changes were made to AgriStability that meant the program now provides lower coverage levels and is expecting to generate fewer claims and lower enrolment. In response to these changes, Agricorp adjusted its processes and reduced its program resources to better align with the needs and size of the revised program. The changes are being implemented in 2014.

“I believe we are in an excellent position to ensure these critical programs are delivered in a way that continues to garner the confidence of the industry and government.”

Last year, the policy regarding the collection of monies owing to the crown changed. We have made good progress on the recovery of outstanding balances, and have implemented updated processes to ensure all customers with monies owing receive regular monthly statements.

Looking ahead, I believe we are in an excellent position to ensure these critical programs are delivered in a way that continues to garner the confidence of the industry and government. We have demonstrated a commitment to all our core qualities: professionalism, quality focused, collaborative, efficient and proactive. I also know we will continue to challenge ourselves to meet the needs of a complex, changing, and important industry in a time of fiscal restraint.

I would like to thank all the staff at Agricorp, colleagues in the two ministries, and various farm organizations for their hard work, dedication, and professionalism.

Randy Jackiw
Chief Executive Officer

Core programs

Ontario has 12.6 million² acres of agricultural land and produces more than 200 commodities. The Ontario agri-food industry contributes \$34 billion annually³ to the province's gross domestic product and generates \$26.6 billion of economic activity.⁴ Agriculture is a considerable driving force behind the province's economic engine. It is also one of the province's most volatile industries.

Agricorp's role is to deliver three complementary business risk management programs – AgriStability, Production Insurance and the Risk Management Program (RMP) – to help producers manage variations in agricultural production and profitability due to inclement weather, pests and disease, market prices and other factors.

These programs give producers the tools they need to protect their farm businesses and to help sustain them through difficult periods. All programs work together to assist producers in managing different types of risk. AgriStability stabilizes whole farm income in the event of large margin declines. RMP helps producers manage risk beyond their control, like fluctuating costs and market prices and complements AgriStability and Production Insurance. Production Insurance covers production losses and yield reductions caused by insured perils, such as adverse weather and pests, for more than 90 commercially grown crops in Ontario.

These business risk management programs help stabilize farming incomes in times of loss and give producers the confidence they need to invest in business improvements. Participation in the programs gives lenders more confidence when producers seek to secure credit for their operations.

AgriStability

Agricorp delivers AgriStability on behalf of the federal and provincial governments. AgriStability protects producers of all agricultural commodities from large declines in their farming income due to market conditions, production loss or increased costs of production.

2013-14 Program highlights

- Close to 16,000 participants enrolled in the 2012 program and Agricorp delivered more than \$70 million in program payments, of which \$6 million was delivered in 2012 interim payments for producers in financial distress.
- Beginning with the 2013 program year, changes to AgriStability were implemented as part of the federal, provincial and territorial Growing Forward 2 agricultural policy framework.

Close to 16,000 participants enrolled in the 2012 AgriStability program and Agricorp delivered more than \$70 million in program payments.

- These changes included:
 - a single coverage level of 70 per cent
 - a payment rate of 70 per cent for both positive and negative margins, simplifying the payment calculation and increasing assistance for producers with a negative production margin
 - a change in the calculation of the reference margin, which is now based on either the recent production margins or the average adjusted expenses, whichever is lower
 - the removal of the Production Insurance premium adjustment calculation.
- Growing Forward 2 reaffirms a commitment by government to building the productivity, profitability and competitiveness of our agricultural industry.
- A thorough review of AgriStability processes was conducted in 2013-14 to ensure the processes and resources required to deliver the program were in-line with the revised size and scope of the program.
- Customer satisfaction with the delivery of AgriStability was up three per cent over last year with 71 per cent of producers reporting they are "satisfied" or "very satisfied."
- In addition, 70 per cent of AgriStability customers agree the program helps stabilize their income despite risks that are beyond their control; 61 per cent agree the program

71%

of producers reported they are "satisfied" or "very satisfied" with the delivery of AgriStability.

² Statistics Canada, 2011 Census of Agriculture. Statistics Canada website, modified 2012-05-23.

³ Kennedy, Brent, Director, Regional Economic Development Branch, OMAF and MRA, Regional Economic Development Programs & Services, 2013 Fall Summit.

⁴ Groeneweg, John, JRG Consulting, Economic Contribution of the Ontario Farm Sector, Presentation to the Ontario Federation of Agriculture, December, 2013.



AgriStability stabilizes whole farm income in the event of large margin declines. The impact of changes under Growing Forward 2 triggered a review of our processes in 2013-14.

gives them the confidence they need to invest in business improvements and 51 per cent say the program helps them work with lenders to secure credit for their business.

Production Insurance

Agricorp delivers Production Insurance on behalf of the federal and provincial governments. Covering over 90 commercially grown crops in Ontario, Production Insurance compensates Ontario producers for yield reductions and crop losses caused by adverse weather and other insured perils. Producers can participate in a variety of plans. Depending on the crop insured, coverage is available on a total-yield, dollar-value, or acreage-loss basis.

2013-14 Program highlights

- More than 14,700 producers enrolled in Production Insurance for 2013, representing more than five million acres and \$2.9 billion in liability. Agricorp delivered over \$82.1 million in total approved claims.
 - Wet weather in the spring and fall was the most significant challenge facing producers with approximately 61 per cent of all damage reports relating to excessive moisture, rainfall or flooding.
 - Excessive rainfall in the spring delayed planting in several areas throughout Ontario. More than \$15 million was paid in unseeded acreage benefits and reseeding claims for the 2013 crop year, which is 70 per cent more than the previous five-year average.
 - Wet conditions were a significant factor in the delay of harvesting for corn and soybean crops in many parts of the province contributing \$28.7 million in claims.
 - Wet weather also impacted processing tomato growers who incurred over \$8 million in Production Insurance

More than 14,700 producers enrolled in Production Insurance for 2013, representing more than five million acres and \$2.9 billion in liability.

claims. The 2013 claim rate for the tomato plan was approximately 22 per cent.

- Wet harvest conditions and early snowfall resulted in approximately 35,000 acres of corn remaining in fields over the winter. Under Production Insurance, a crop continues to be covered until it is harvested in the spring unless an Agricorp adjuster deems it not worth harvesting. Claims will be paid if the final reported yield is below the guaranteed production.
- Growers of black and burley tobacco also had very high claim rates – 70 per cent and 46 per cent – respectively totalling claims of \$1.6 million and \$98,000.
- Winter wheat producers experienced reductions in yield and quality due to high levels of fusarium, a plant disease that thrives in humid, wet weather conditions. The extent of the damage was highly variable and some pockets experienced significant outbreaks of the disease. The grade and quality of the crop is vastly improved by proper harvesting and handling practices mitigating any program payments. Production Insurance compensates impacted growers by applying a quality factor to low-grade wheat yields to reflect the lower value for these crops.
- After the challenges of the 2012 growing season, Agricorp worked with OMAF and MRA and industry groups to review and make improvements to the forage, apple and tender fruit plans.
 - Agricorp and OMAF and MRA worked with an advisory committee, conducting months of research, analysis and consultation to develop enhancements to the forage plan. The review included producer discussions with their industry groups, and an online survey completed by more than 300 producers.
 - The forage plan was improved to insure forage up to a greater maximum value. Major enhancements will result in claim payments more reflective of yield losses caused by rainfall shortages and the claim calculation will include a price index to reflect increased costs of replacement hay in dry years when supplies may be limited.
 - Apple and tender fruit plans were also improved. Apple and grape customers now have coverage on their trees and vines in the first year of insurance. Yields of more than 30 per cent above or below a customer's average opening yield will be adjusted to stabilize the impact of extreme yields on final average yield calculations.

To make claim prices more reflective of market prices, they will be calculated using a three-year average instead of a five-year average. For sour cherries, the claim price will be set to the market price during the harvest period.

- Additionally, the plan for peaches and pears was updated to introduce a new 85 per cent coverage option for the 2013 crop year. The revision was made after consultations with the Ontario Tender Fruit Marketing Board in 2012.
- A new ginseng establishment pilot plan was developed to help Ontario ginseng producers protect their investment in seedling gardens. The new plan was developed in collaboration with the Ontario Ginseng Growers Association and is offered for ginseng planted in the fall of 2013.
- Program enhancements were made to several other plans.
 - A Brix value factor was introduced into the final average yield for 16 grape varieties providing more targeted coverage based on the grower's production capabilities for those who use Brix pricing schedules. The change, which was successfully implemented during the 2013 crop year, came as a result of collaboration with the Grape Growers of Ontario in 2012.
 - Eight new crop classes for Asian vegetable crops were added to the leafy category of the fresh market vegetable acreage loss plan providing additional coverage for Ontario's growing specialty industry.
 - We continued supporting the Agriculture-Human Wildlife Conflict Working Group by researching crop damage caused by wildlife. Agricorp developed a strategy to encourage customers to report this damage even if it was minimal and did not trigger a claim. By leveraging existing resources, such as the call centre and Production Insurance systems, we were able to collect statistics and provide intelligence about the extent of wildlife damage in Ontario to the working group.

• Customer satisfaction with Production Insurance is consistently high with 92 per cent of producers reporting they are "satisfied" or "very satisfied" with the program's delivery – up five per cent from the previous year.

92%

of producers reported they are "satisfied" or "very satisfied" with the delivery of Production Insurance.

- In addition, 88 per cent of Production Insurance customers agree the program helps stabilize their income despite risks that are beyond their control; 84 per cent agree the program gives them the confidence they need to invest in business improvements and 64 per cent say the program helps them work with lenders to secure credit for their business.



Wet harvest conditions and early snowfall resulted in approximately 35,000 acres of corn remaining in fields over the winter. Production Insurance offers coverage until the crops are harvested in the spring.

Ensuring the sustainability of the Production Insurance program

The Production Insurance Fund is the pool of money used by Agricorp to compensate insured customers for production losses and to protect the government from financial risk in years with significant crop losses. The fund balance is replenished each year through premiums from customers, government contributions and investment earnings.

Agricorp has a comprehensive strategy to manage the financial risk of the Production Insurance program. The approach is designed to provide participants with appropriate coverage, offer stable rates and ensure an adequate reserve of funds for long-term sustainability. The risk management strategy includes: actuarially-sound premium rate setting, sound underwriting methodologies and claim processes, a risk-based reinsurance strategy and fund sustainability targets periodically certified by actuaries and compliant with federal and provincial Production Insurance regulations and guidelines.

Risk Management Program

Agricorp delivers Ontario's Risk Management Program (RMP) on behalf of the provincial government. RMP offers plans for livestock, horticulture, grains and oilseeds. The program helps producers manage risks beyond their control, like fluctuating costs and market prices. AgriStability enrolment is a requirement for RMP participation.

For most plans, RMP works like insurance, with producer premiums based on a choice of coverage levels and options. Payments are triggered if the average market price for a commodity falls below its support level, as calculated by OMAF and MRA. The self-directed risk management (SDRM) plan for edible horticulture works differently; producers make deposits based on a percentage of their eligible sales and receive proportionate government contributions. Funds may be withdrawn from SDRM accounts to cover risks to the farm business. \$100 million in annual government funding is available for all of the RMP plans and includes the cost to administer the plans.

2013-14 Program highlights

- More than 10,000 producers were enrolled in one or more plans. Agricorp issued \$71 million in program payments for 2013-14 under all six plans.
 - For livestock, \$40.9 million was issued in program payments for the fiscal year.
 - Under the SDRM: Edible Horticulture plan, proportionate government funds of \$20.2 million were deposited into SDRM accounts (\$16.2 million of this was for the 2013 program year). As of March 31, 2014, Agricorp has processed 1,363 SDRM withdrawal requests totalling \$31.7 million for the 2013 program year.
 - For grains and oilseeds, \$10 million in 2013 pre-harvest payments have been delivered to date. 2013 pre-harvest adjustments and post-harvest payments will be made in May 2014.
 - To ensure producers have fair and equal access to program funding, in 2013-14, an interim payment rate was applied to calculate early payments for the program year. These rates were adjusted when final payments were made.
- A new funding approach was also developed with OMAF and MRA and the RMP reference committees. The Farmer's Risk Management Premium Fund is in addition to the \$100 million in available funding for RMP. Producers, who participate in RMP: Grains and Oilseeds and RMP for livestock pay premiums; these premiums are transferred to the Farmer's Risk Management Premium Fund to provide additional risk management support.

More than 10,000 producers were enrolled in one or more RMP plans. Agricorp issued \$71 million in program payments for 2013-14 under all six plans.

- Agricorp manages the payment processing for the fund on behalf of Grain Farmers of Ontario, Beef Farmers of Ontario, Ontario Pork, Ontario Sheep and Ontario Veal.

As the delivery agent for the Risk Management Program since 2007, Agricorp is uniquely positioned to deliver RMP premium fund payments. The key program delivery infrastructure for these payments exists in Agricorp for the delivery of RMP. Leveraging this infrastructure provides an efficient and effective delivery approach for the premium fund payments.

- RMP administration costs have steadily declined each year since 2011 when the permanent multi-sector plans were established. Processes are now operationalized and we will continue to leverage existing systems, data and processes, and work with industry to reduce the overall administration cost. We closely monitor our costs, turnaround times and accuracy and report these to the board and to OMAF and MRA on a regular basis. While RMP is in its fourth year and has changed every year, Agricorp's administration costs are comparable to Quebec's Farm Income Stabilization Insurance program (ASRA) – a far more mature program established in the 1970s.



RMP helps producers manage risks beyond their control, like fluctuating costs and market prices. \$40.9 million was issued in program payments for the fiscal year. \$37.5 of this was for the 2013 program year. The six RMP plans cover the cattle, edible horticulture, grain and oilseed, hog, sheep and veal sectors.

- Customer satisfaction with the delivery of RMP is stable with 75 per cent of customers “satisfied” or “very satisfied” with the delivery of the program.

75%

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

- In addition, 73 per cent of RMP customers agree the program helps stabilize their income despite risks that are beyond their control; 68 per cent agree the program gives them the confidence they need to invest in business improvements and 52 per cent say the program helps them work with lenders to secure credit for their business.

Appeals process

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

AgriStability and RMP

When customers disagree with an Agricorp decision about their AgriStability or RMP claim, they can contact us. An internal review will be conducted to ensure the file was managed in accordance with program rules and consistently with other files. If the results of an internal review remains unsatisfactory to the customer they can request a review from the Business Risk Management Review Committee (BRMRC), an advisory body that reviews all requests and makes non-binding recommendations to Agricorp.

As the program administrator, Agricorp is accountable for consistent application of the rules of these programs

and for all decisions related to these programs. Therefore, Agricorp may accept the BRMRC non-binding recommendations in full or in part, or may decline to follow the recommendations. Agricorp processes over 25,000 AgriStability and RMP files each year. In 2013-14, 16 producers requested a BRMRC hearing. Of these, four cases were withdrawn by the producer, three were completed and nine are under review.

Production Insurance

Customers who disagree with an Agricorp decision about their Production Insurance claim or eligibility for coverage can also contact us to request a review. If the results of the internal review are unsatisfactory, customers can appeal to the Agriculture, Food & Rural Affairs Appeal Tribunal. The tribunal, an independent body, makes final and binding decisions on disputes between Agricorp and Production Insurance customers. In 2013-14, only one tribunal appeal was received and was subsequently withdrawn by the customer.

Other programs

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

Canada-Ontario Apple and Tender Fruit Weather Risk Mitigation Strategy Initiative

This initiative was designed to encourage apple and tender fruit producers to develop a risk mitigation strategy for dealing with adverse weather.

In 2013-14, Agricorp processed 481 applications and issued \$1.6 million in payments under this program. The program ended in 2013-14.

Farm Business Registration (FBR)

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

process on behalf of the ministry by collecting and disbursing registration fees.

In 2013, more than 44,000 farms registered their farm business and were able to choose from two accredited farm organizations: Ontario Federation of Agriculture and Christian Farmers Federation of Ontario. In 2014, the National Farmers Union was also accredited.

Agricorp also provided input into OMAF and MRA's review of the program and worked closely with the ministries and the accredited farm organizations prior to implementing the 2014 FBR program year. Agricorp continues to support the ministries' FBR review which is focused on regulatory changes for the farm organization accreditation requirements and customer reporting requirements.

Grain Financial Protection Program

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

In 2013-14, Agricorp licensed 245 dealers and 300 elevators across Ontario.

Orchards and Vineyards Transition Program

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

In 2013-14, Agricorp completed 34 program compliance audits.

Ontario Vineyard Improvement Program

The program helps wine producers fund vineyard improvement projects such as transitioning to new grape varieties, installing irrigation systems, bird-netting and purchasing new equipment. The program is delivered by OMAF and MRA. Agricorp supports the program by providing a range of services leveraging our existing program delivery infrastructure to provide field verification of acreage and project completion, mapping services and web-based data management services.

In 2013-14, Agricorp completed 71 requests for field verifications.

The 2012 Canada-Ontario Forage and Livestock Transportation Assistance Initiative

This one-time AgriRecovery initiative, announced in December 2012 by the provincial and federal governments, assisted producers whose business had been impacted by drought in 2012. The program helped fund transportation of eligible livestock to feed sources or transportation of eligible forage to breeding stock. Agricorp issued \$271,407 in benefits to 63 recipients who met the eligibility requirements. The initiative concluded in 2013.



Agricorp's rainfall maps show 45-year rainfall averages across the province. Rainfall data is one example of the type of industry intelligence and analysis we provide. In addition, we have comprehensive agronomic information in areas such as plant inventory, variety, age, yield and quality. We collect this through the administration of programs.

This information is used by farmers to plan their operation and make decisions; by government to assist with strategy and direction on agricultural policy and by industry to support research and marketing.

Services to industry

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

Alternative Land Use Services

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

In 2013-14, Agricorp validated 14 producer projects.

Dairy Credit Program

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

In 2013-14, Agricorp analyzed the quarterly and annual financial statements of Ontario's 51 dairy processing plants, which purchase \$2 billion worth of milk annually from producers.

Data Management Services (DMS)

In partnership with the fruit industry, Agricorp operates a web-based data management service using GPS technology to accurately measure and map growers' vineyards and orchards for grapes, apples and tender fruit. Agricorp captures agronomic information such as plant inventory, variety, age, yield and quality. Agricorp works with the Grape Growers of Ontario, Ontario Apple Growers and the Ontario Tender Fruit Producers Marketing Board to use this information for industry-required initiatives including research and marketing.

In 2012, the data management service was expanded to include tender fruit. All system changes to DMS to support the tender fruit enhancement project were completed in 2013.

Farmer's Risk Management Premium Fund

The premium fund was announced by commodity groups and the provincial government as part of the 2013 program redesign. Producers who participate in RMP: Grains and Oilseeds and RMP for livestock pay premiums which are transferred to the industry-managed Farmer's Risk Management Premium Fund to provide additional risk management support. The participating commodity groups are Grain Farmers of Ontario, Beef Farmers of Ontario, Ontario Pork, Ontario Sheep and Ontario Veal. Agricorp has been asked by the commodity groups to manage payment processing for the Farmer's Risk Management Premium Fund on their behalf, including the distribution of payments.

Grain Financial Protection Board (GFPB)

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



Agricorp operates a web-based data management service that uses GPS technology to accurately measure and map growers' vineyards and orchards for grapes, apples and tender fruit. The data management service is just one example of how we support the industry.

Management discussion and analysis

The significant agriculture story for this year was the wet conditions delaying planting, damaging crops and postponing harvest in many regions of the province. This is just one example of the kind of risk the business risk management programs help to address. The volatile nature of agriculture as a whole is one of the key reasons why governments around the world have similar programs in place and it's why we're here. Our job at Agricorp is to deliver these programs and services to producers and do so prudently, efficiently and effectively by demonstrating value for money.

Our business plan articulates our strategic direction and defines where we will focus our resources. Our business planning process is rigorous and considers the state of the industry we serve, our risk tolerance, government expectations and our customers' changing needs. It includes clear performance metrics aligned with performance standards established nationally. These metrics guide us as we execute against our strategic priorities.

In 2013-14, a benchmarking study was conducted to compare our performance against appropriate comparators in other jurisdictions at both an agency and program level and to identify areas that may provide opportunities for improvement. The study, conducted by KPMG, concluded that we are performing similar to or better than our comparators for all indicators measured. Overall, the study found that Agricorp balanced efficiency with effectiveness and provided value for money relative to other agriculture business risk management organizations and the private sector including the private-public partnership model used to deliver crop insurance in the U.S. As well, results from our customer satisfaction survey demonstrated customers rank us above average in overall customer satisfaction.

Further, we are making good progress on our strategic priorities. Our accomplishments are outlined below under three categories: delivering relevant programs and services, providing customer-focused service and managing business responsibly.

Delivering relevant programs and services

Variable weather, fluctuating market prices and plant and animal disease are factors that contribute to the volatile nature of the industry. As a result, the programs and services we deliver are under constant scrutiny as governments and industry strive to respond to differing and emerging needs. We in turn work alongside our government and industry partners carefully balancing and managing customer expectations with program design

and funding dollars. To achieve this balance requires sound agricultural knowledge and business acumen combined with a solid awareness of industry needs and deep understanding of government priorities.

Collaborating with industry

We work closely with stakeholders across the various agriculture sectors. Staff, senior management and our board chair attended more than 100 stakeholder meetings in 2013-14 to build relationships, proactively identify issues and gain better understanding of industry needs.

We also connected with various commodity groups and industry associations to ensure open communication, efficient program delivery and program relevancy.



A vast majority of producers ranked us highly when it came to timely, relevant and informative program information.



After a difficult crop year, Agricorp worked with OMAF and MRA and relevant industry groups to analyze and propose changes to forage, apple and tender fruit plans.

A number of formal programs, project committees and working groups helped resolve issues from customer service to data gathering and program enhancements. Examples of these groups included the Forage Review Advisory Committee, the Agriculture Human-Wildlife Conflict Working Group, the Ontario Agri Business Association and the Ontario Agriculture Commodity Council. This close collaboration with stakeholders allowed us to remain current on sector and producer information.

We also worked closely with OMAF and MRA on key issues impacting the industry. Regular meetings were held to discuss policy and emerging program issues. We collaborated with the ministries and industry on several extensive plan reviews, specifically apple and tender fruit plans and forage plans under Production Insurance resulting in significant plan changes.

Making programs relevant

Apple and tender fruit

In 2013, we worked with the Ontario Apple Growers and the Ontario Tender Fruit Producers Marketing Board to ensure all parties shared a common understanding of the Production Insurance program and the framework governments have put in place. Following a detailed analysis and more consultation, we are implementing the following changes to improve the tender fruit plan for 2014.

- Yield buffering has been added to lessen the impact of extreme yields on final average yields.
- Methods for setting claim prices have been updated.

We have added protection for apple and grape customers to allow coverage on their trees and vines in the first year of insurance. Previously, growers needed to insure their apple

and grape production for one full year before qualifying for the apple tree or grapevine rider coverage.

We will continue to have discussions with industry stakeholders to determine the need and rationale for any additional enhancements. Any future priorities will be identified and considered for 2014-15.

Forage rainfall plan

Producers experienced a hot and dry 2012 crop season. These drought conditions, in addition to the historical challenges of insuring forage (e.g., the effects of extended dry periods, valuing replacement costs in times of shortage and the relationship between rainfall and yield) were key issues targeted under a review of the plan. In consultation with OMAF and MRA, we reviewed key components of the forage rainfall plan including forage prices, underwriting values, rainfall station locations and loss model. We also looked at other Canadian models and developed recommendations for improvements.

Along with OMAF and MRA, we consulted with a forage advisory committee consisting of members from the Beef Farmers of Ontario, Dairy Farmers of Ontario, Ontario Federation of Agriculture, Ontario Forage Council and Ontario Soil and Crop Improvement Association. Other industry and stakeholder groups provided input and more than 300 producers provided feedback through a survey.

As a result of this close collaboration with our stakeholders, the following plan enhancements were identified and implemented for 2014:

- the rainfall claim trigger was increased
- the rainfall yield correlation was changed
- a minimum rainfall cap was added
- a price index was added to reflect higher forage replacement costs when forage supplies are tight
- more flexibility in the choice of coverage was offered.

Responding to industry needs

In early 2014, we were selected by commodity groups – the Beef Farmers of Ontario, Ontario Pork, Ontario Sheep, Ontario Veal and Grain Farmers of Ontario – to manage the administration and payment distribution for the Farmer’s Risk Management Premium Fund. They chose Agricorp to issue their premium fund payments because we have the infrastructure and data required to calculate and issue payments. We also have a proven record of providing excellent and efficient service to producers. We demonstrated our responsiveness to industry needs by successfully delivering payments to customers in an accelerated timeline.

To find program delivery improvements, we engaged the industry in an efficiency review of RMP. We met with RMP committees to discuss program delivery including payment timelines, payment statements, administration of the industry premium fund and future cross-program compliance considerations. These discussions resulted in the development of strategies to communicate program changes, to implement a new payment methodology and gather input on program efficiencies. We regularly updated the RMP committees on program enrolment, milestones, delivery efficiencies implemented to date and measures for the future including enhanced online services.

Providing customer-focused service

The core of our strategy puts the focus squarely on the delivery experience for customers. Delivering a great customer experience means setting ambitious targets for delivery and performance and reaching or exceeding them. It means providing the necessary tools for customers to do business with us quickly and easily when they want. It's about continuously looking for ways to be more efficient so that needs get addressed effectively. It's about finding better ways to meet customer priorities to help them manage their businesses.

Doing business with Agricorn

Customers can do business with us several ways – by phone, fax, email and online. These customer touch points require dedicated staff. This past year alone, our employees handled close to 106,000 incoming calls, 63,000 outbound calls, 14,000 voice messages and over 10,000 emails and faxes. Contact ranged from customers who were calling to report acres, yields and livestock sales information for the various programs to general questions on program details.

In 2013-14, we issued \$262 million in program payments. We received almost 12,000 damage reports resulting in



Agricorn staff connect with producers and industry groups and attended over 100 stakeholder meetings.

7,200 claims. Our 65 field staff visited customers throughout the province to assess damage and review options with them. This work requires knowledgeable and professional staff familiar with the industry and financial services processes.

\$262
million

in program payments for 2013-14 were issued.

Offering more online services

As the popularity of online transactions increases with our customers, we are opening up new options to access Agricorn. With the completion of phase one of our IT strategy we have implemented new and improved existing systems to support our business needs. As part of our strategy, we:

- introduced a centralized customer relationship management tool that consolidates customer data on a common platform
- updated customer information and authorizations to validate contact information for customers and their representatives
- made progress on the centralized management of customer financial information and processing and recording financial transactions.

This work included the development of the systems and relevant business processes leading to a standardized invoice, payment statements and program cheques. It also paves the way for direct deposit and pre-authorized withdrawals in the future.

As a result of improvements to our web services, customers and agents now have access to consolidated online services with a single sign on. Customers can view their documents online, download and submit forms easily, report their acreage for Production Insurance and RMP and manage their contact and program information. A roadmap has been developed for future online enhancements. Additional online services have been prioritized based on value to our customers and efficiency gains for the business.

Listening to customers

Producers tell us we're continuing to do a good job. We've been surveying customers for 15 years, establishing a baseline on producer opinion, collecting information on program delivery and pinpointing where we need to improve our services. The survey is conducted by a third-party provider to ensure results are independent, transparent and credible. Producer responses remain anonymous.

Highlights from the 2014 customer satisfaction survey, conducted by Ipsos Reid, showed 90 per cent of customers say that Agricorp performs the same or better than other organizations. According to the survey, customers tell us our strongest attributes are:

90%

of customers say that Agricorp performs the same or better than other organizations.

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

A large majority of customers remain satisfied with Agricorp's delivery of AgriStability, RMP and Production Insurance. More specifically, 92 per cent of customers were satisfied with the delivery of Production Insurance, 71 per cent were satisfied with the delivery of AgriStability and 75 per cent were satisfied with the delivery of RMP.

Satisfaction levels were also high for our customer call centre and field staff. All call centre attributes remained strong and most increased in 2014. Our field staff results were equally impressive with scores remaining high.



We solicit customer feedback regularly through various channels. Each year, a third-party firm formally surveys a selection of Agricorp customers through our annual customer satisfaction survey. After completing online transactions, our customers can submit their feedback through online surveys. As well, our call centre conducts quarterly telephone surveys.



New online channels will provide more access to Agricorp for producers. Improvements made to our web services in 2013-14 means customers can view their documents online, submit forms easily, report acreage and manage their contact and program information.

In our annual employee engagement survey, conducted by Mercer, a commitment to customers and customer service is viewed by our employees as a key strength of the organization. Eighty one per cent of employees believe we are responsive to customers. Employees also indicated they experience a high degree of personal satisfaction when it comes to helping our customers.

Providing customer-focused service is more than delivering programs effectively. It's how we manage the business, how we track what we're doing, how we respond to new market realities and how we deliver on our customers and government expectations. We continue to take a disciplined approach to program delivery, investing in areas key to program efficiency and cost management.

Managing business responsibly

Careful and considered management of our costs is a priority as we must operate within the funding provided by the provincial and federal governments. Over the past year, we have been reducing costs by not filling vacant positions as a result of attrition and completion of contracts. However, since a significant portion of our expenses relate to personnel costs, in early 2014, we made the difficult decision to reduce our workforce. These actions decreased our overall costs and put the agency in a better position to start the new fiscal year. Additionally, we reduced our leased office space at 1 Stone Road West in Guelph.

Assessing and managing risks

We pursue a responsible and sustainable approach to managing our business and have the essential checks and balances in place to ensure we are in compliance with all legislation, directives, program policies and guidelines. We have a comprehensive approach to identifying risks, assessing exposures and opportunities and developing

appropriate action plans so that risks are managed enabling us to meet objectives. We have processes and structures in place to implement the risk management framework. Implementation requires engagement from the board of directors, management and staff and the ministries. The Finance and Audit Committee provides oversight and monitors the framework. The committee is responsible for assessing whether risk acceptance and control decisions made throughout the organization are appropriate. The committee reviews and approves the risk management plan, audit plans and reports, as well as how management responds to and acts on audit recommendations.

We have a well-established risk assessment program that includes scheduled internal and external audits to ensure compliance with legislative and program agreements. The risk assessment program is reviewed and monitored regularly to ensure all levels of organizational risk are identified and have proper controls in place to mitigate them.

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

Offsetting program risks

As the deliverer of the Production Insurance program, Agricorp has a strategy in place to ensure the program is sustainable and able to meet its objectives, while offering producers stable premium rates and protecting government against unnecessary financial exposure. To ensure that the Production Insurance fund can cover claims paid over the long term, Agricorp has developed a risk management strategy which includes annual reviews of product design, premium rate setting methodology, underwriting and claim adjudication, and cash flow management. In addition, Agricorp purchases reinsurance to mitigate large fluctuations in premium rates and to assist with cash flow management in catastrophic claim years. Given the healthy fund balance and decreased liability due to falling commodity prices, reinsurance costs are expected to be significantly lower for the 2014 crop year than for the previous 2013 crop year.

Pursuing a fair recoveries process

Monies are owed to the Crown when customers receive more money than they are eligible to receive under the business risk management programs. Overpayments may occur as the result of incomplete program applications, processing errors,

We pursue a responsible and sustainable approach to managing our business and have the essential checks and balances in place to ensure we are in compliance with all legislation, directives, program policies and guidelines.

changes to farm operations, and the nature of advance payments to producers in financial distress.

In April 2012, Agricorp announced a change in its practice for recovering monies owing. Prior to then, the monies owed were recovered from future program payments until the balances owing were paid in full and no interest was charged. After that date, producers with outstanding balances were required to establish a plan with Agricorp to repay any monies owing within three years. The waiver of interest granted to Agricorp accounts in the past was extended to the end of 2012, after which time interest was charged on outstanding balances.

To recover the monies owing, Agricorp worked closely with producers to establish a repayment approach that would minimize any financial hardship. As well, producers who were experiencing a difficult crop year were offered some flexibility in applying program offsets against their outstanding balances. By March 31, 2014, close to 80 per cent of producers with past debt had either paid in full or entered into a plan to repay the crown a total of \$21.2 million.



In 2013-14, our 65 field staff visited customers throughout the province to assess crop damage and review options with them. The 2014 customer satisfaction survey results showed satisfaction levels with our field staff are consistently high with overall performance rated 4.1 out of 5. The survey found the highest attributes to be program knowledge, agriculture knowledge, friendliness and showing concerns for producer needs.

We have a comprehensive approach to identifying risks, assessing exposures and opportunities and developing appropriate action plans so that risks are managed, enabling us to meet objectives.

Delivering efficiently

We are continuing to monitor costs by exploring new ways to streamline processes, modernize platforms and find delivery efficiencies. Under the Growing Forward 2 policy framework, a number of changes were made to the AgriStability program marking a shift in program policy. The changes opened an opportunity for a comprehensive review of how we deliver AgriStability. The end-to-end review consisted of looking for efficient, cost effective and appropriately scaled processes to enable consistent quality in program delivery. The review was completed in August 2013 and identified areas for change including simplifying how we capture and distribute information and expanding a risk-based approach to both underwriting and claims handling.



The KPMG benchmarking study found that AgriCorp balanced efficiency with effectiveness and provided value for money relative to other agriculture business risk management organizations.

Reporting regularly

We regularly report to OMAF and MRA. Timely and transparent reporting ensures we are delivering on our commitments. In addition to monthly, quarterly and other updates on specific issues provided throughout the year, we produce an annual report that is submitted to the minister within 120 days of our fiscal year-end.

This year, we also participated in a review of operations with OMAF and MRA. The AgriCorp Review was announced in the 2012 provincial budget and was completed in 2013. Part of this review included a history and mandate document and the benchmarking research conducted by KPMG.

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

Compensating employees fairly

We believe it is important that our employees are compensated fairly and equitably for the work they do. We have a conservative but fair compensation strategy in place to attract and retain talented people while being conscious of public sector accountabilities. Our policy has been to target median market salary levels for comparable positions. The salary structure, or pay grids, have remained frozen since 2007 because of the overall direction for restraint in public sector compensation and managing within our current salary budget. In addition, senior management salaries, including performance incentive compensation, have been frozen at prior year levels since 2012.

Looking forward

The programs we deliver are foundational to the ongoing success of this industry. The programs are large, complex and constantly changing to meet the needs of agriculture which means we are always focused on continually evolving priorities. We also understand and appreciate the expectation of government in a time of restraint which means we are focused on managing these priorities prudently.

Above and beyond the day-to-day work we do in delivering programs and services, over the coming year we will be implementing improvements and initiatives aligned with our strategic plan. We will be initiating new underwriting and claims processes for

AgriStability resulting from the end-to-end review. We are planning to add more online services for customers including email notification, direct deposit and pre-authorized withdrawals. We will be developing the business case to replace the administrative system used for Production Insurance. We will also continue the work we've been doing to build effective working relationships with government and industry groups to ensure we fully understand their needs and work to meet their program and delivery expectations.

These are the next steps we will take as we move forward, in measured steps over time, with a sound and consistent strategy in place.

2013-14 Performance targets and results

Targets	Results
Achieve a consistently high overall customer service rating equal to the previous three-year average.	In the 2014 customer satisfaction survey, Agricorp's overall performance rating was 3.59*, which is above the previous three-year average of 3.53.*
Process 95 per cent of AgriStability files by December 31, 2013.	Agricorp processed 95 per cent of the 2012 AgriStability files by December 3, 2013.
Process Production Insurance claims paid within 20 business days of receipt.	The average processing time for Production Insurance claims in 2013-14 was 9.8 days.
Process 95 per cent of RMP payments within 60 days of receipt of all required information.	Agricorp processed 98 per cent of RMP: Grains and Oilseeds, 99 percent of RMP for livestock and 95 per cent of SDRM: Edible Horticulture payments within 60 days of receipt of all required information.
Provide quality processing of AgriStability files by reducing the number of amendments by two per cent over the previous year.	The number of AgriStability file amendments for the 2011 program year was reduced by 32 per cent, with 217 amendments compared to 321 amendments for the 2010 program year.
Provide quality processing of Production Insurance files with less than two per cent error rate.	The error rate was less than one per cent for Production Insurance files.
Provide quality processing of RMP files with a payment error rate of less than two per cent.	The error rate was less than one per cent for RMP files.
Complete annual chair and CEO attestation, as required, for compliance with applicable legislation, directives and policies.	Agricorp continues to refine its compliance oversight processes. Agricorp has not yet been required to complete any attestations. Agricorp will continue to collaborate with the ministry and build on the current governance framework.

Targets	Results
Submit a three-year business plan, which includes a budget and risk management plan to the minister by March 1, 2014.	Agricorp's 2014-17 business plan was submitted to the minister on March 11, 2014. Agricorp will continue to collaborate with the ministries and build on the current governance framework.
Provide sound and balanced operational performance and financial reports to OMAF and MRA quarterly.	Operational and financial reports were provided to the ministry on a monthly and quarterly basis.
Submit an annual report to the minister within 120 days of Agricorp's year-end.	Agricorp's 2012-13 annual report was submitted to the minister on July 29, 2012, 120 days after year-end.
Ensure a comprehensive audit control framework is monitored annually by Agricorp's board of directors.	The annual audit control framework was developed, implemented and monitored.
Achieve a mean customer satisfaction survey rating of 3.50 or higher for Production Insurance.	In the 2014 customer satisfaction survey, Production Insurance received a rating of 4.26.**
Achieve a mean customer satisfaction survey rating of 3.50 or higher for AgriStability.	In the 2014 customer satisfaction survey, AgriStability received a rating of 3.63.**
Achieve a mean customer satisfaction survey rating of 3.50 or higher for the Risk Management Program.	In the 2014 customer satisfaction survey, the Risk Management Program received a rating of 3.89.**

* Customer satisfaction survey results are scores out of five.

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

Management's responsibility for financial reporting

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

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

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

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

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

Randy Jackiw
Chief Executive Officer

Erich Beifuss
Chief Financial Officer

June 19, 2014



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

Independent Auditor's Report

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

I have audited the accompanying financial statements of Agricorp, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and fund balances, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Agricorp as at March 31, 2014 and the results of its operations, remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 19, 2014

Gary Peall, CPA, CA, LPA
Deputy Auditor General

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Statement of financial position

March 31, 2014 with comparative information for 2013

(\$ thousands)	General Fund	Production Insurance	2014	2013
Assets				
Cash	\$ 577	\$ 1,503	\$ 2,080	\$ 2,143
Investments (note 5)	2,973	761,637	764,610	702,868
Accounts receivable (note 4)	7,245	6,589	13,834	13,121
Funds under administration (note 3)	79,132	–	79,132	69,942
Prepaid expenses	749	–	749	952
Accrued pension asset (note 11)	6,358	–	6,358	4,543
Capital assets (note 6)	1,836	–	1,836	3,323
Total assets	\$ 98,870	\$ 769,729	\$ 868,599	\$ 796,892
Liabilities and Fund Balances				
Accounts payable and accrued liabilities	\$ 6,328	\$ 376	\$ 6,704	\$ 5,789
Unearned premiums and revenue (note 9)	5,072	17,653	22,725	33,702
Provision for claims	–	6,500	6,500	1,674
Funds under administration (note 3)	79,132	–	79,132	69,942
Total liabilities	90,532	24,529	115,061	111,107
Fund balances	8,338	731,746	740,084	665,828
Accumulated remeasurement gains	–	13,454	13,454	19,957
Total liabilities and fund balances	\$ 98,870	\$ 769,729	\$ 868,599	\$ 796,892

Commitments and contingencies (note 12)

See accompanying notes to financial statements.

Approved on Behalf of the Board

Larry Skinner
Chair

Randy Jackiw
Chief Executive Officer

Statement of operations and fund balances

Year ended March 31, 2014 with comparative information for 2013

(\$ thousands)	General Fund	Production Insurance	2014	2013
Revenue				
Operating funding – Ontario and Canada (note 8)	\$ 47,260	\$ –	\$ 47,260	\$ 46,308
Premiums from producers	–	63,957	63,957	52,769
Funding – Ontario and Canada	–	96,192	96,192	81,153
Sales, consulting and other services	848	–	848	958
Investment income	71	20,343	20,414	20,785
Total revenue	48,179	180,492	228,671	201,973
Expenses				
Claims	–	89,257	89,257	131,246
Reinsurance (note 10)	–	17,133	17,133	19,520
Administration (note 16)	48,017	–	48,017	47,074
Bad debts	–	8	8	23
Total expenses	48,017	106,398	154,415	197,863
Excess of revenue over expenses for the year	162	74,094	74,256	4,110
Fund balances, beginning of year	8,176	657,652	665,828	661,718
Fund balances, end of year	\$ 8,338	\$ 731,746	\$ 740,084	\$ 665,828

See accompanying notes to financial statements.

Statement of remeasurement gains and losses

Year ended March 31, 2014 with comparative information for 2013

(\$ thousands)	2014	2013
Accumulated remeasurement gains, beginning of year	\$ 19,957	\$ 20,065
Unrealized losses on investments	(6,503)	(108)
Accumulated remeasurement gains, end of year	\$ 13,454	\$ 19,957

See accompanying notes to financial statements.

Statement of cash flows

Year ended March 31, 2014 with comparative information for 2013

(\$ thousands)	General Fund	Production Insurance	2014	2013
Cash provided by operating activities				
Excess of revenue over expenses	\$ 162	\$ 74,094	\$ 74,256	\$ 4,110
Items not requiring an outlay of cash				
Amortization of capital assets	2,488	–	2,488	2,589
Total	2,650	74,094	76,744	6,699
Changes in non-cash working capital				
Accounts receivable	(692)	(21)	(713)	729
Prepaid expenses	203	–	203	(170)
Accrued pension asset	(1,815)	–	(1,815)	(1,925)
Accounts payable and accrued liabilities	644	271	915	(723)
Unearned premiums and revenue	(3,070)	(7,907)	(10,977)	9,522
Provision for claims	–	4,826	4,826	1,258
Total	(4,730)	(2,831)	(7,561)	8,691
Financing activities				
Decrease (increase) in investments	2,944	(64,686)	(61,742)	(10,935)
Unrealized gains (losses) on investments	–	(6,503)	(6,503)	(108)
Total	2,944	(71,189)	(68,245)	(11,043)
Capital activities				
Purchase of capital assets	(1,001)	–	(1,001)	(2,697)
Increase (decrease) in cash	(137)	74	(63)	1,650
Cash, beginning of year	714	1,429	2,143	493
Cash, end of year	\$ 577	\$ 1,503	\$ 2,080	\$ 2,143

See accompanying notes to financial statements.

Notes to the financial statements

Year ended March 31, 2014

1. Nature of operations

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

These programs are as follows:

Government – Production Insurance

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

Government – Other Business Risk Management

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

Other

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

2. Significant accounting policies

(a) Basis of accounting

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

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

(b) Capital assets

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

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

(c) Employee future benefits

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

(i) Pension plan

Agricorp sponsors a contributory defined benefit registered pension plan for all full time and eligible part time employees. Agricorp contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method 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.

(ii) Accumulated sick leave

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

(d) Revenue recognition

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

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

Production Insurance government funding and Production Insurance producer premiums are recognized as revenue in the year in which the related crops are harvested.

(e) Financial instruments

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

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

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

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

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and fund balances.

Agricorp is required to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- (i) Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- (ii) Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- (iii) Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(f) Use of estimates

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

3. Funds under administration

Agricorp provides administration services on a cost recovery basis to process and disburse payments to producers enrolled in business risk management and non-business risk management agricultural programs. These programs are generally administered on behalf of OMAF and MRA for producers in Ontario, and cover joint Canada-Ontario programs, Canada-only programs, and Ontario-only programs. Individual program delivery agreements are in place for each program. Program payments are calculated according to program requirements and the program delivery agreements. Funding is provided by Canada and/or Ontario and all funds are segregated in accounts under administration by program until such time as payments are processed for the producers.

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

(a) AgriStability

AgriStability was established under the Growing Forward Framework Agreement as a continuation of the Canadian Agricultural Income Stabilization (CAIS) program. AgriStability is in effect for 2007 and subsequent years. This program provides agricultural producers with some financial protection against declines in farm margin. Producers must enroll in the program and pay administration and enrollment fees based on the selected level of coverage and a reference margin based on the participant's production margin for specified prior years. A program benefit is paid based on the participant's selected level of coverage and when current production margin falls below the set reference margin. AgriStability provides coverage for margin declines greater than 15% for program years up to and including 2012.

Effective for program year 2013, the Growing Forward 2 agreement on agricultural policy has resulted in a simplified program, with one level of coverage available. A program benefit is paid to the participant when the participant's current production margin declines by more than 30% below the lower of the reference margin or the average adjusted expenses.

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

(b) Risk Management Program (RMP)

RMP was launched by the Ontario government as a permanent program effective April, 2011 and extended to additional sectors. RMP helps producers offset losses caused by low commodity prices and fluctuating production costs. RMP is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments. RMP includes the following plans:

RMP: Grains and Oilseeds (RMP-GO)

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

RMP for Livestock (RMP-LS)

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

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

Under the terms of the plan, producers of edible horticulture deposit into their account a percentage of their eligible net sales and a contribution is made into the account by the Ontario government. Funds can be withdrawn to cover risks to the farm business, such as a reduction in income or other farm-related expenses or losses. To participate, producers must make a deposit into their SDRM account, provide a premises identification number and participate in AgriStability.

(c) General Top-Up Program (GTUP)

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

(d) Canada-Ontario Apples and Tender Fruit Weather Risk Mitigation Strategy Initiative (ATM)

The ATM initiative came into effect January 7, 2013 under an agreement between OMAF and MRA and Agricorp that expired on March 31, 2014. The initiative provided a one-time payment to qualifying apple and tender fruit producers to support and encourage them to develop a weather risk mitigation strategy. ATM is fully funded by Ontario.

(e) Canada-Ontario Forage and Livestock Transportation Assistance Initiative (COFLTAI)

The COFLTAI initiative came into effect December 14, 2012 under an agreement between OMAF and MRA and Agricorp that expired on March 31, 2014. The initiative covered a portion of the extraordinary costs of transporting feed to Ontario livestock producers who faced severe forage shortages for their breeding herds, or transporting breeding herds to areas with surplus feed. This is an AgriRecovery initiative and is cost shared by Canada and Ontario, at a basis of 60% and 40% respectively, however, Canada has limited their administrative cost funding to \$60,000 with the balance funded by Ontario.

(f) Other programs

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

Risk Management Program pilot (RMP pilot)

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

Self-Directed Risk Management Program (SDRM)

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

Farm Business Registration (FBR)

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

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

(\$ thousands)	Opening balance 2014	Federal funding	Provincial funding	Other	Payments	Closing balance 2014
AgriStability	\$ 57,888	\$ 51,469	\$ 28,498	\$ 15,015	\$ (86,079)	\$ 66,791
RMP-GO	63	–	10,063	(18)	(10,072)	36
RMP-LS	5,442	–	36,932	286	(40,862)	1,798
RMP-SDRM	3,621	–	20,165	3,980	(20,224)	7,542
GTUP	2,373	–	–	229	(229)	2,373
ATM	–	–	38	–	(38)	–
COFLTAI	–	163	109	–	(272)	–
Other	555	–	157	300	(420)	592
Total	\$ 69,942	\$ 51,632	\$ 95,962	\$ 19,792	\$(158,196)	\$ 79,132

4. Accounts receivable

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

(\$ thousands)	2014	2013
Government funding – Canada	\$ 10,086	\$ 9,032
Government funding – Ontario	4,711	3,787
Other	936	2,193
	15,733	15,012
Less Allowance for doubtful accounts	(1,899)	(1,891)
Total	\$ 13,834	\$ 13,121

5. Investments

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

(a) Portfolio profile

Investments, at carrying amount being fair value, are as follows:

(\$ thousands)	2014	2013
Short-term	\$ 419,181	\$ 230,926
Long-term bonds		
Government of Canada	8,895	12,749
Province of Ontario	97,864	142,046
Other provincial governments	167,021	207,072
Provincial utilities	48,934	54,583
Financial institutions	22,715	55,492
	345,429	471,942
Total investments	\$ 764,610	\$ 702,868

(b) Maturity profile of the investment portfolio

(\$ thousands)	2014	2013
<1 Year	\$ 419,181	\$ 230,926
1-3 Years	200,063	227,962
3-5 Years	145,366	168,460
>5 Years	–	75,520
Total	\$ 764,610	\$ 702,868

(c) Fair value hierarchy

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

6. Capital assets

(\$ thousands)	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Furniture and fixtures	\$ 1,213	\$ 1,151	\$ 62	\$ 99
Computer hardware	8,340	7,653	687	1,076
Computer software	12,524	11,475	1,049	2,093
Leasehold improvements	1,945	1,907	38	55
Total	\$ 24,022	\$ 22,186	\$ 1,836	\$ 3,323

7. Financial instruments risk management

(a) Fair value of financial assets and financial liabilities

The carrying values of cash, investments with maturities under one year, accounts receivable, accounts payable and accrued liabilities and provisions for claims approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair value of investments with maturities exceeding one year is based on quoted market values.

(b) Interest rate risk

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

Fluctuations in interest rates have a direct impact on the market valuation of Agricorp's fixed income securities portfolio. The average return on investments is 3.63% (2013 was 3.95%).

Fluctuations in interest rates could have a significant impact on the fair value of the fixed income securities portfolio. Although investments are generally held to maturity, realized gains or losses could result if actual Production Insurance claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations.

(c) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. Agricorp is exposed to credit risk principally through balances receivable from the federal and provincial governments and producers as well as through its investment securities. Agricorp is exposed to credit risk on the reinsurance contracts that are placed with reinsurers. In order to minimize this risk, Agricorp places reinsurance with a number of different reinsurers and evaluates the financial condition of each of these reinsurers in order to minimize exposure to a significant loss from any one reinsurer in the event of insolvency. Reinsurers are typically required to have a minimum financial strength rating of A-based on the rating agencies A.M. Best, and Standard and Poor's. Based on professional judgement, management sets limits to establish the maximum amount of business that can be placed with a single reinsurer.

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

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

8. Operating funding – Ontario and Canada

The governments of Canada and Ontario have agreed to share the costs of administering Production Insurance, AgriStability, COFLTAI and GTUP at the rate of 60% and 40% respectively. For COFLTAI, Canada has limited their administrative cost funding to \$60,000 with the balance of the funding to be paid by Ontario. The costs to administer RMP-GO, RMP-LS, RMP-SDRM and ATM programs are funded by Ontario.

9. Unearned premiums and revenue

Unearned premiums represent premiums of \$17.7 million (2013 – \$25.6 million) paid in advance to Production Insurance for crops that have yet to be harvested. These crops are not harvested until after the date of the statement of financial position, giving rise to the deferral of the premiums received. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of \$1.8 million (2013 – \$3.3 million) and other unearned amounts of \$3.2 million (2013 – \$4.8 million).

10. Reinsurance agreement

Agricorp has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume Production Insurance losses based on negotiated thresholds. Agricorp purchased reinsurance to mitigate a fixed percentage of losses for 2013 Production Insurance claims in excess of \$380 million to a maximum of \$556 million. As actual claims for the 2013 crop year were less than the minimum threshold, no reinsurance payments were received by Agricorp.

Agricorp signed an agreement in December 2013 whereby it purchased reinsurance through a number of carriers for the 2014 crop year. The amount purchased under this agreement is to mitigate a fixed percentage of losses between 14% and 19% of insured liability, subject to a maximum of \$3.5 billion (2013 – \$4.21 billion).

11. Pension plan

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

(\$ thousands)	2014	2013
Accrued benefit obligation		
Balance, beginning of year	\$ 31,006	\$ 26,680
Current service cost	2,100	2,183
Interest cost	2,236	1,798
Employee contributions	1,621	1,561
Benefits paid	(666)	(993)
Actuarial (gain) loss	(58)	(223)
Balance, end of year	\$ 36,239	\$ 31,006

(\$ thousands)	2014	2013
Plan assets		
Fair value, beginning of year	\$ 34,822	\$ 29,298
Actual return on plan assets	5,471	1,099
Employer contributions	3,773	3,857
Employee contributions	1,621	1,561
Benefits paid	(666)	(993)
Fair value, end of year	\$ 45,021	\$ 34,822

(\$ thousands)	2014	2013
Funded status		
Plan surplus	\$ 8,782	\$ 3,816
Unamortized actuarial (gain) loss	(2,424)	727
Accrued pension asset	\$ 6,358	\$ 4,543

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

	2014 %	2013 %
Discount rate to determine accrued benefit obligation	6.5	6.5
Discount rate to determine benefit cost	6.5	6.5
Expected long-term rate of return on plan assets	6.5	6.5
Rate of compensation increase	4.0	4.0

The net benefit plan expense is as follows:

(\$ thousands)	2014	2013
Current service cost	\$ 2,100	\$ 2,183
Interest cost	2,236	1,798
Expected return on plan assets	(2,417)	(2,048)
Amortization of unrecognized loss	38	-
Net benefit plan expense	\$ 1,957	\$ 1,933

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

Security type	2014 % of plan	2013 % of plan
Canadian equities	33.2	34.0
US equities	15.3	17.6
International equities	15.3	11.2
Bonds	22.8	25.9
Real estate	4.4	4.7
Cash and cash equivalents	9.0	6.2
Other	0.0	0.4
Total fund	100.0	100.0

An external investment advisor manages the investments held by the pension plan.

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

12. Commitments and contingencies

(a) Lease commitments

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

(\$ thousands)	
2015	\$ 3,035
2016	2,415
2017	377
2018	34
2019	–
Total	\$ 5,861

(b) Contingencies

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

13. Related party transactions

Agricorp has entered into several agreements to acquire services from OMAF and MRA. The cost for administrative, legal and internal auditing services amounted to \$299,377 (2013 – \$213,000). In addition, Agricorp rents its head office location from Ontario Infrastructure and Lands Corporation for a total cost for the year of \$1.7 million (2013 – \$1.6 million). Agricorp earned revenue of \$62.7 million (2013 – \$58.6 million) from OMAF and MRA as their share of Production Insurance premium and operating funding.

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

Total remuneration to members of the Board of Directors was \$36,333 during calendar 2013 (2012 – \$33,647). *The Public Sector Salary Disclosure Act, 1996*, requires Agricorp to disclose employees paid an annual salary in excess of \$100,000. The complete disclosure for Agricorp is included in the “Public Sector Salary Disclosure 2014: Crown Agencies” listing on the Government of Ontario website: <http://www.fin.gov.on.ca/en/publications/salarydisclosure/pssd>. For the 2013 calendar year, the amounts paid to the five employees with the highest annual salaries are:

Name	Position	Salary	Taxable benefits
Beifuss, Erich	Chief Financial Officer	\$ 163,643	\$ 606
Jackiw, Randy	Chief Executive Officer	184,360	3,984
LaRose, Doug	Chief Information Officer	185,850	688
Meneray, Debra	Senior Director, Program Delivery	146,000	557
Sayer, Greg	Senior Counsel and Director Legal Services	158,948	602

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

15. Restructuring Costs

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

16. Administration

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

(\$ thousands)	2014	2013
Salaries and benefits	\$ 35,866	\$ 34,734
Facilities	2,572	1,889
Amortization	2,488	2,589
Equipment and maintenance	2,353	2,484
Consulting and professional	2,142	2,544
Telephone and postage	1,072	1,173
Office	699	804
Vehicle and travel	588	589
Other	237	268
Total	\$ 48,017	\$ 47,074



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