

# Celebrating

# Years of Service



Annual Report **2016–17**



An agency of the Government of Ontario

## Table of contents

- 4. Chair's message
- 6. Governance
- 9. Board of Directors
- 12. CEO's message
- 14. Programs and services
- 22. Other programs and services
- 24. Services to industry
- 26. Management discussion and analysis
- 40. 2016–17 Performance targets and results
- 42. Management's responsibility for financial reporting
- 43. Independent auditor's report
- 44. Financial statements
- 48. Notes to the financial statements

Agricorp is a provincial Crown agency that delivers business risk management programs to Ontario agricultural producers on behalf of the provincial and federal governments. The organization was created under the *AgriCorp Act, 1996* and is classified as an operational enterprise agency under the Agencies and Appointments Directive. As an agency, we have the flexibility, independent decision making and robust governance framework to meet the evolving needs of customers, industry and government.

From the field to the boardroom, Agricorp staff and board members combine a wealth of agricultural expertise with a broad range of knowledge in finance, technology, risk management, communications, human resources, law and public administration.

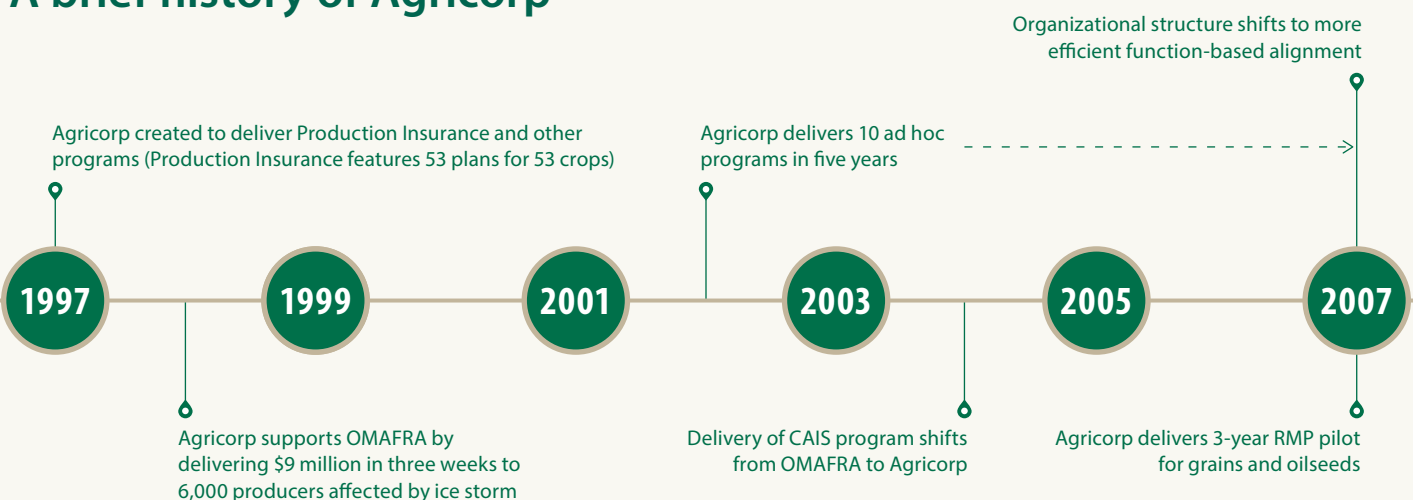
Many employees have farming backgrounds themselves, bringing a unique perspective and a strong customer focus to our day-to-day operations.

## We connect producers with programs

The agriculture and agri-food industry is a major economic driver in Ontario. It generates \$36.4 billion in gross domestic product and creates 790,000 jobs, about one in every nine jobs in the province.\* Ontario producers work hard in a volatile and challenging environment to produce safe, high-quality products that feed millions of people at home and abroad.

\* The Premier's Agri-Food Challenge: Building on Success: <http://www.omafra.gov.on.ca/english/about/agrifoodchallenge.htm>, December 14, 2016

## A brief history of Agricorp



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

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

Each year Agricorp delivers programs in a cost-effective way with an emphasis on efficiency, continuous improvement and quality customer service. In 2016–17, the programs delivered by Agricorp provided \$5 billion in coverage and \$293 million in payments to Ontario producers.

## Our vision

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

## Our mission

### We connect producers with programs.

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

### Delivery is our strength.

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

### Customers are our priority.

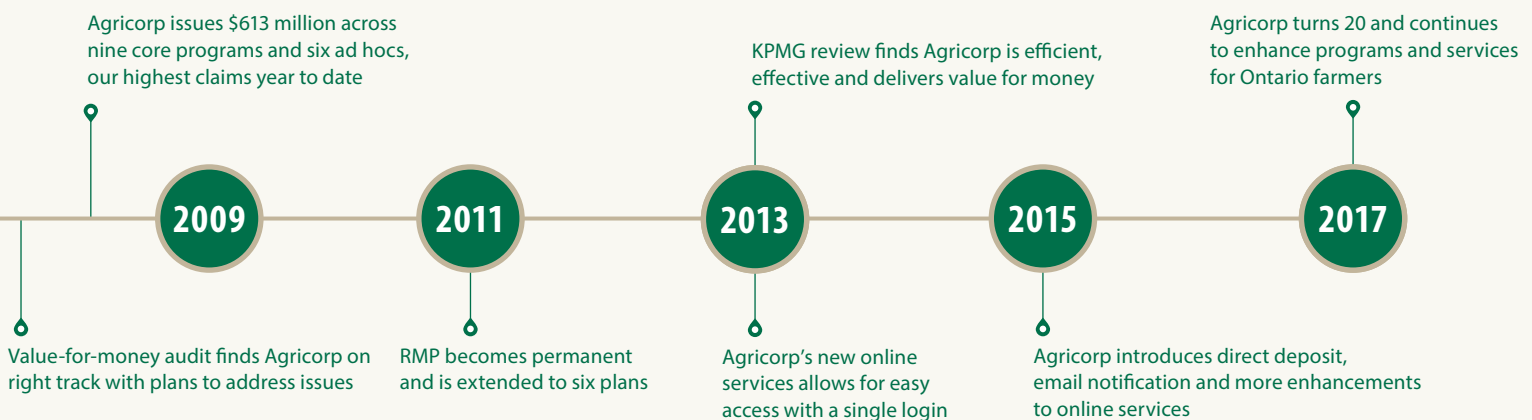
We want to deliver consistently professional services and programs that provide security today while helping our customers manage their risks in the future.

### Our people are the foundation of our success.

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

### We are publicly accountable.

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



## Chair's message

### Supporting a vital agricultural sector



If there's one thing I've learned in almost thirty years of farming, it's this: there's no normal when it comes to weather in Ontario. Unpredictable weather is just one of the reasons agricultural risk management programs are so important. Farmers are exposed to risk every day – from weather, disease, pests, fluctuating markets, rising costs, and even trade issues.

We all need food to survive, but a strong agriculture and agri-food sector is also vital to Ontario's economic survival. It accounts for \$36 billion in gross domestic product and almost 11 per cent of the province's jobs. Farmers need to know that we value their work and have their backs. That's why governments invest in risk management programs and that's why Agricorp is here.

2017 is a year of anniversaries. It marks Agricorp's 20th year in business. It's also the 10th year of Ontario's Risk Management Program and the 50th year of Production Insurance. Risk management programs have evolved over the years to adapt to changing industry practices and the increasing variety of crops grown in this province. Several programs have come and gone, but Production Insurance has lasted for 50 years.

Production Insurance started as Crop Insurance in 1966 for the 1967 crop year. That year, coverage was available for two commodities: winter wheat and spring grain. The province issued 646 insurance contracts, covering 29,000 acres and \$1.3 million in liability. Total claims were \$237,000. Compare that to today. The program now covers more than 100

commodities and \$3.1 billion in liability. There are more than 35,000 contracts covering 5 million acres of farmland. And while the coverage has expanded, the premiums have remained stable. Winter wheat premiums have increased from \$6.99 an acre in 1967 to \$20.16 an acre in 2016, but relative to the value of the crop, rates have actually gone down – from 14.4 per cent of the crop value to 5.76 per cent. Keeping the program relevant, sustainable and affordable has been a significant accomplishment for government, industry and Agricorp.

Agricorp has evolved as well. I've witnessed that directly in my first year as Chair. Agricorp manages some kind of change every single year. Whether it's program design, production practices, weather events or new legislative requirements, no one year is like the one before. Agricorp has proven to be a responsive, flexible organization that can adapt to change quickly and effectively.

We've been tasked with delivering high-quality service to Ontarians. This includes setting and meeting goals that align with Agricorp's strategic direction and government priorities. We are focused

Meeting the needs of Ontario agriculture is a challenging business and Agricorp has been doing it successfully for twenty years. I'm proud to be involved.

on delivering risk management programs in an effective and timely manner. We are consistently looking for ways to improve efficiency and reduce costs, especially in this current fiscal environment. We are working to enhance our services and reduce the burden on producers, making it easier for them to do business with us. And we are determined to maintain the high customer satisfaction ratings we've achieved over the last several years. This is our mandate and our commitment to the producers and the government of this province.

As a producer, I've participated in risk management programs and understood them from a customer perspective. As Chair, I'm now learning about the delivery end and it's been eye-opening to see the volume and complexity of work managed by Agricorp. Agriculture in Ontario is very diverse, with a multitude of commodities, farming operations and business structures, from small family farms to large corporations. Meeting the needs of Ontario agriculture is a challenging business and Agricorp has been doing it successfully for twenty years. I'm proud to be involved.

I would like to acknowledge our government and industry partners and thank them for sharing their wisdom, experience and expertise. I would like to thank our board of directors for their extensive contributions, knowledge and support. Thanks also to Agricorp's senior management team, CEO, Doug LaRose and to all Agricorp employees for their hard work and dedication. I look forward to working with all of you over the coming year as we continue to strengthen Ontario's dynamic agri-food industry.

**Murray Porteous**  
Chair

# Governance

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

We regularly review and refine our governance practices, adapting and strengthening policies and procedures as required to ensure they remain effective. Robust governance and oversight ensure objectives are realized, resources are well managed, and the interests of stakeholders are protected and reflected in key decisions.

## Why an agency?

Ontario agencies are diverse and may be established for a number of reasons. With significant public interest in a viable and sustainable agricultural industry and shared federal-provincial responsibility for agriculture, Agricorp was created to deliver programs and services to the agricultural industry on behalf of government. As an agency, we have organizational flexibility to adapt to the changing needs of industry and government. Our board of directors brings experience, knowledge and leadership to their role of governance. Under the board's governance, our staff leverage their technical expertise and skills to focus on program delivery while being accountable to government. We advise government on agricultural policy and programs, deliver programs effectively and efficiently, and maintain public confidence by adhering to all applicable legislation, directives and guidelines. We also adjudicate individual files professionally and independently.

## Reporting structure

Agricorp's board of directors and staff work collaboratively with the Ontario Ministry of

Agriculture, Food and Rural Affairs (OMAFRA). Our CEO reports to the board of directors and the board chair reports to the minister. The board and its committees play a central role in translating government direction and expectations into strategy. They provide direction, oversight and advice to the CEO. OMAFRA staff monitor Agricorp's governance and advise the minister as outlined in the Agencies and Appointments Directive.

## Memorandum of understanding

A memorandum of understanding (MOU) defines the relationship between Agricorp and OMAFRA and clarifies expectations and reporting requirements. The MOU establishes the accountability relationships between the minister and the chair on behalf of Agricorp. The MOU also outlines the roles and responsibilities of the board of directors, the chair, the CEO, the minister and the deputy minister. This effective and collaborative governance framework ensures the timely exchange of information to support better decision making, clearly documented accountabilities and streamlined service agreements.

## Ethical standards

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

### Code of Ethics, Oath of Office and Oath of Allegiance

Agricorp has a comprehensive Code of Ethics and Professional Conduct that outlines the standards of ethical behaviour that Agricorp expects of its employees and board members. Every year, all employees and board members sign an acknowledgement agreeing to abide by this code and employees receive annual training. The Oath of Office and Oath of Allegiance for new employees reinforce the serious obligations and responsibilities they have as employees of a government agency.

### Government directives

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

- **Business planning and financial management:** Includes directives on delegation of authority, financial transactions, and travel, meal and hospitality expenditures.
- **Accountability and governance:** Includes directives on procurement, internal audit and transparency.
- **Information and information technology management:** Includes directives on records management, privacy and freedom of information.

Agricorp has met all obligations and timelines under the Agencies and Appointments Directive, demonstrating our commitment to transparency and accountability. This included publishing the following information on our website: our business plan, memorandum of understanding, and quarterly expenses for the board and senior management.

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

### Board responsibilities

The board follows best practices in corporate governance, including continuous development and training, succession planning, self-assessment, regular in-camera sessions and annual strategy sessions. The Agricorp by-law provides guidelines for board governance and documents the roles and responsibilities of the chair, board members and committees, including fiduciary and operational oversight, strategic planning, risk management and controls, legal and ethical conduct, ongoing education and evaluation, and liaison with OMAFRA.

## Board committees

Two board committees provide oversight and advice to the board.

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

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

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

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



## Board of directors

The board is composed of a minimum of five members, appointed by the lieutenant governor in council through an order in council, as recommended by the Minister of Agriculture, Food and Rural Affairs. The board proactively recommends candidates to the minister to ensure the right mix of skills, experience and perspectives.

Board members are appointed for terms of up to three years and may be reappointed. They are agriculture, business and community leaders who bring a broad range of experience and invaluable expertise to the organization's oversight. In 2016–17, Agricorp's board of directors consisted of the following members:



### **Murray Porteous**

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

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



### **Anna Bragg**

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

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



### **Rod Stork**

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

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



### **John Core**

(Guelph)  
October 22, 2014 –  
October 21, 2017

John is a former CEO of the Canadian Dairy Commission and former Chair of the Dairy Farmers of Ontario. His community involvement includes serving as past chair of the Guelph General Hospital Board of Directors and serving as a member of the Ontario Agricultural Hall of Fame Association Board of Directors for 2015–16. John holds a master of science and a bachelor of science degree in agriculture from the University of Guelph.

Board of directors



**Carolyn Fuerth**  
(Essex County)  
August 25, 2015 –  
August 24, 2018

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

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**Sheryl King, CA, MBA, FICB**  
(Halton Region)  
July 17, 2013 –  
September 13, 2019

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.



**Patricia Lorenz, MBA, CA, CPA, DVM**  
(Toronto)  
August 7, 2013 –  
September 20, 2019

Patricia is chief operating officer of Avertus Inc., a neuro-intelligence company and a director of the Network of Angel Organizations – Ontario. She has experience in the food manufacturing, software, retail, publishing, diagnostic and distribution industries and in the commercialization of agricultural technologies. She is a licensed veterinarian in Ontario.

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**James Rickard**  
(Durham Region)  
August 25, 2015 –  
August 24, 2018

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



### **Marshall Schuyler**

(Norfolk County)

May 27, 2015 –

May 26, 2018

Marshall is one of the owner operators of Schuyler Farms Limited, which produces apples, processing tart cherries, grain, corn, soybeans and lamb. He is president of the Norfolk Fruit Growers' Association and is a member of the board of directors of CherrCo and Cherry Central, both U.S.-based cherry marketing organizations. He is also a past director of the Ontario Processing Vegetable Growers board. He holds a bachelor of science degree in agriculture from the University of Guelph.



### **Harry Stoddart**

(Kawartha Lakes)

May 30, 2012 –

May 29, 2018

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



### **Maria Van Bommel**

(Middlesex)

August 28, 2013 –

August 27, 2019

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

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### **Greg Vanden Bosch**

(Dundas County)

March 22, 2017 –

March 21, 2020

Greg is a partner in Vanden Bosch Farms and a senior partner in Vanden Bosch Elevators Inc. based in Chesterville, Ontario. He is also a former director and chair of the Grain Section Committee of the Ontario Agri Business Association. He graduated from the University of Guelph's Ridgetown Campus in 1988. Greg attended the Advanced Agricultural Leadership Program (class 4) and the Executive Program for Agricultural Producers in 1995.

## CEO's message

### Connecting producers with programs for 20 years



Agricorp has been connecting producers with programs for 20 years. Let's take a look back at how far we've come.

In our first year of operations, we delivered three programs. We issued \$42 million in program payments. There was no website and certainly no online services. We were dealing with Y2K issues to prepare for the new millennium.

We've come a long way since then. We now offer plans for more than 100 commodities, from adzuki beans to zucchini. We have standardized and streamlined processes to be more efficient. Our organization has been restructured by function to better manage delivery of our growing roster of programs. We've introduced technology solutions so producers can do business online and receive program payments electronically. Also we have enhanced the experience for those opportunities when we meet with producers face to face.

My first year in the CEO role has been rewarding and enlightening. I've learned much more about the complexity and risks facing agricultural businesses and continue to leverage my background and expertise in developing and implementing IT solutions for business. Over the years, producers

have embraced technology and so has Agricorp. We continue to make progress on this front, enhancing our processes and supporting system capabilities to increase efficiency. In doing so, we're also improving the customer experience with faster file processing, less paperwork and more convenient service options.

We've gotten very good at being ready to deliver. Our depth of agricultural experience and expertise is excellent. In 20 years, our team has expanded, bringing with them a broad range of knowledge in analysis, resource development, information technology, policy and program development, strategic planning, communications, law, procurement and finance. We have risen to numerous challenges this year and we've met every one head on. We consistently comply with all legislative requirements and directives. We've put a great deal of focus on quality improvements this year to help ensure we are doing things right every time. We run a tight operation and keep a close eye on costs. But most importantly, we're there for producers when they need us.

We run a tight operation and keep a close eye on costs. But most importantly, we're there for producers when they need us.

Producers also faced challenges this year caused by dry weather, rising production costs and low market prices. And we were ready. We reached out to producers regularly to remind them of their options and how we could help. We developed plans and contingencies to make sure we delivered quality customer service and timely program payments. We promoted our increasing range of service options to give customers a broad choice of service channels to fit their preference.

In response, customers once again gave us high marks in our annual customer satisfaction survey. Ipsos Reid Loyalty surveyed 600 customers in January and 94 per cent said we perform the same or better than other organizations they deal with, a continued high level of service with improvement over last year. These results demonstrate we've come a long way in 20 years and we're on the right track.

We could not have achieved this without strong governance, solid management and dedicated employees. I would like to thank our Chair, Murray Porteous for his valuable leadership, sound advice

and agricultural expertise. Thanks also to our board of directors for their professionalism, knowledge and continued support. And many thanks to our valued employees and our colleagues at OMAFRA for their passion and commitment.

We made numerous advancements in 2016 but we still have work to do. Our current initiative to implement new capabilities and processes for Production Insurance will go a long way in enhancing our program delivery. This, coupled with our unwavering commitment to continuous improvement, should ensure we're well positioned to meet whatever the future brings.

**Doug LaRose**  
Chief Executive Officer

## Programs and services

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

\* Statistics Canada, Census of Agriculture, 2011



Today’s farmers use a range of tools, technology and farm management practices to maximize profits and minimize risks. But some risks are beyond their control, such as weather, disease, market prices and production costs. To help manage these risks, AgriCorp delivers three core programs: AgriStability, Production Insurance and the Risk Management Program (RMP).

AgriStability and Production Insurance are part of the suite of national business risk management programs offered under Growing Forward 2 (GF2). RMP is unique to Ontario and is funded solely by the province.

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

### Different programs cover different risks

Each program covers different risks, from weather events to rising production costs and market volatility. Participation in all three core programs ensures producers have maximum coverage and long-term stability.

### Program summary at a glance

Program	Participation	Payments	Risks and benefits
<b>AgriStability</b>	<ul style="list-style-type: none"> <li>• 11,900</li> <li>• \$2 billion in reference margin</li> </ul>	\$59 million in 2016–17 (for multiple program years, mainly 2015)	<p><b>Unexpected large income declines*</b></p> <ul style="list-style-type: none"> <li>• Protects eligible farm income as a whole instead of one commodity at a time</li> <li>• Affordable (\$315 for every \$100,000 of reference margin)</li> </ul>
<b>Production Insurance</b>	<ul style="list-style-type: none"> <li>• 14,300</li> <li>• \$3.1 billion in liability</li> </ul>	\$128 million in 2016–17 (for multiple program years)	<p><b>Low yields and crop loss caused by insured perils</b></p> <ul style="list-style-type: none"> <li>• Coverage based on a guaranteed level of production</li> <li>• Choice of plans and coverage levels for 100 commodities</li> </ul>
<b>Risk Management Program</b>	<ul style="list-style-type: none"> <li>• Grains and Oilseeds – 5,600</li> <li>• Livestock – 1,900</li> <li>• SDRM – 2,000</li> </ul>	\$97 million in 2016–17 (for multiple program years)	<p><b>Fluctuating commodity prices and general farm losses or expenses</b></p> <ul style="list-style-type: none"> <li>• Helps offset losses caused by low commodity prices and rising production costs (for grains and oilseeds, cattle, hogs, sheep and veal)</li> <li>• Helps manage general losses and expenses in operating a farm business (for edible horticulture)</li> </ul>

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

## AgriStability by the numbers

**11,900**

participants in the 2015 program

**\$2 billion**

in reference margin (farming income less expenses)

**\$58.8 million**

in program payments, including

**\$2 million**

in interim payments for producers in financial distress

**72%**

of customers are satisfied or very satisfied with the delivery of AgriStability

**68%**

of customers agree that it stabilizes farm income

## AgriStability



*Livestock producers received the largest share of AgriStability payments for the 2015 program year, including \$21 million for cattle and \$11 million for swine.*

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

### AgriStability highlights

AgriStability coverage is typically processed in the following calendar year, after the tax year ends. So most 2015 AgriStability files are processed in 2016. Generally speaking, grain and oilseed prices remained fairly strong throughout 2015. Several market factors caused beef and hog prices to drop in the fall of 2015, affecting program margins for the 2015 program year. Livestock producers received the largest share of AgriStability payments for 2015, including \$21 million for cattle and \$11 million for swine.



## Production Insurance



*Drought was the number one peril in 2016, accounting for 89 per cent of all claims and resulting in \$114 million in payments.*

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

### Production Insurance highlights

2016 marked the 50th year of Production Insurance in Ontario, and the program continues to provide customers with consistent and affordable coverage they can rely on. Yields varied across the province but were generally above the long-term average, despite a dry growing season in 2016. Production Insurance helped corn and soybean producers who experienced yield shortfalls due to dry weather. Forage had a difficult start with dry conditions across much of the province, resulting in the highest annual payments to date for the forage rainfall plan.

Some fruit and vegetable crops were damaged by hail in a few growing areas of the province, triggering payments as a result of reduced yields, lower market prices and reduced quality.

The overall claim payment rate for 2016 was 4.2 per cent of insured liability, slightly higher than the previous five-year average of 3.2 per cent, but below the long-term historic average of 5.7 per cent.

## Production Insurance by the numbers

**14,300**

participants in the 2016 program

**5 million**

acres and \$3.1 billion in liability

**\$127.7 million**

in total claims, including:

**\$114 million**

for drought

**\$47 million**

for soybeans, a 5% claim rate that exceeds the previous 3-year average of 2.4%

**\$39 million**

for corn, a 3.8% claim rate that exceeds the previous 3-year average of 1.5%

**\$11 million**

for forage, a 23% claim rate that exceeds the previous 3-year average of 4.2%

**94%**

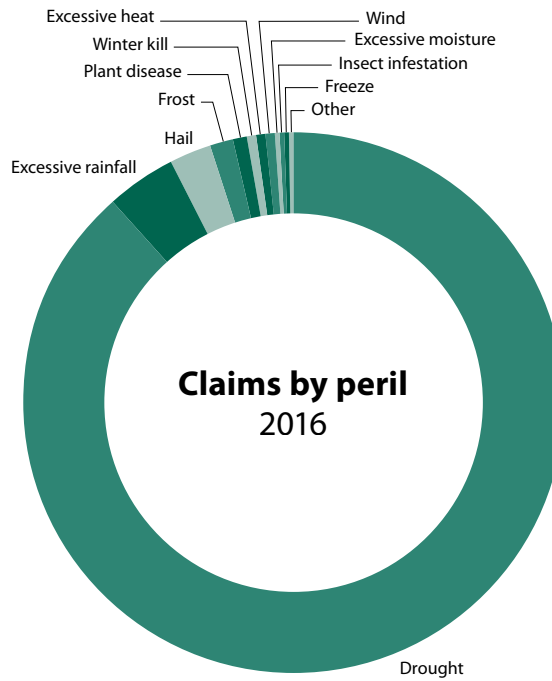
of customers are satisfied or very satisfied with the delivery of Production Insurance

**89%**

of customers agree that it stabilizes farm income

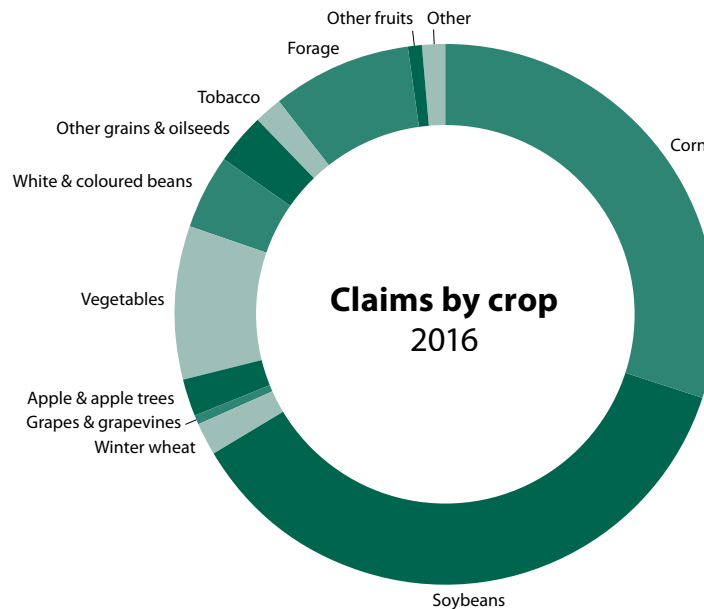
### Claims by peril

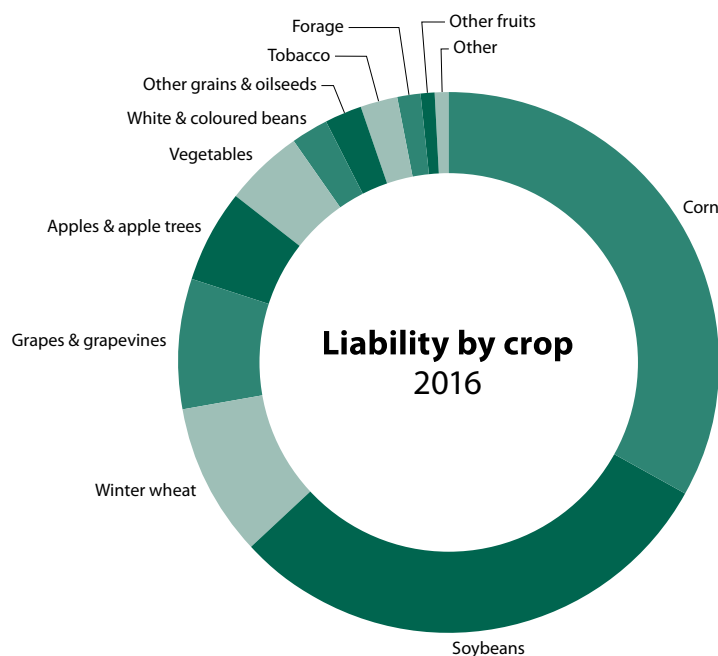
<b>\$114,369,250</b>	Drought
<b>\$5,320,042</b>	Excessive rainfall
<b>\$3,349,737</b>	Hail
<b>\$1,883,371</b>	Frost
<b>\$924,046</b>	Plant disease
<b>\$708,926</b>	Winter kill
<b>\$670,023</b>	Excessive heat
<b>\$651,720</b>	Wind
<b>\$410,221</b>	Excessive moisture
<b>\$308,928</b>	Insect infestation
<b>\$306,248</b>	Freeze
<b>\$348,276</b>	Other



### Claims by crop

<b>\$46,940,864</b>	Soybeans
<b>\$39,090,705</b>	Corn
<b>\$11,896,819</b>	Vegetables
<b>\$10,853,381</b>	Forage
<b>\$5,892,396</b>	White & coloured beans
<b>\$3,931,121</b>	Other grains & oilseeds
<b>\$2,843,616</b>	Apples & apple trees
<b>\$2,507,440</b>	Winter wheat
<b>\$2,003,351</b>	Tobacco
<b>\$1,154,774</b>	Other fruits
<b>\$625,483</b>	Grapes & grapevines
<b>\$1,510,835</b>	Other





### Liability by crop

<b>\$1,024,974,773</b>	Corn
<b>\$932,463,885</b>	Soybeans
<b>\$276,519,961</b>	Winter wheat
<b>\$242,300,803</b>	Grapes & grapevines
<b>\$173,377,455</b>	Apples & apple trees
<b>\$143,073,665</b>	Vegetables
<b>\$71,658,772</b>	White & coloured beans
<b>\$70,648,008</b>	Other grains & oilseeds
<b>\$63,522,864</b>	Tobacco
<b>\$47,144,712</b>	Forage
<b>\$25,881,558</b>	Other fruits
<b>\$19,348,847</b>	Other

### Ensuring the sustainability of the Production Insurance program

Production Insurance compensates insured customers for production losses through claim payments from the Production Insurance Fund. Agricorp has a comprehensive risk management strategy to manage the fund and the financial risk of the Production Insurance program. The strategy includes actuarially-sound premium rate setting, solid underwriting methodologies and claim processes, a risk-based reinsurance strategy, and fund sustainability targets that are periodically certified by actuaries and that comply with federal and provincial regulations and guidelines for Production Insurance.

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

As of March 31, 2017, the Production Insurance Fund had a balance of \$866 million to cover indemnities on about \$3 billion in liability. As this balance exceeds our target reserve, producers and government received the added benefit of reduced premiums. In 2016, all plan premiums received a discount of 16.4 per cent.

## RMP by the numbers

**9,500**

endorsements in 2016

**\$97.4 million**

in program payments paid in 2016–17 under all six plans (covers multiple program years and excludes delivery costs):

**\$40.2 million**

in livestock payments

**\$20.8 million**

in government funds deposited into SDRM accounts

**\$36.4 million**

for grains and oilseeds

**79%**

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

**72%**

of customers agree that it stabilizes farm income

## Risk Management Program



*Livestock producers received 41 per cent of RMP payments in 2016, totaling \$40.2 million for the cattle, hog, sheep and veal sectors.*

After being launched as a pilot program for grain and oilseed producers in 2007, Ontario's Risk Management Program (RMP) was expanded to include plans for cattle, edible horticulture, hog, sheep and veal in 2012. Agricorp delivers RMP on behalf of the provincial government. The program helps producers manage risks beyond their control, such as fluctuating costs and market prices. RMP plans for grains, oilseeds and livestock work like insurance. Producers pay premiums based on their enrolled commodity and chosen coverage level. Payments are made if the average market price for a commodity falls below its support level. The self-directed risk management (SDRM) plan for edible horticulture works differently. Producers deposit funds into an SDRM account and the provincial government adds to their contribution. The maximum contribution is based on the producer's allowable net sales. Funds may be withdrawn from SDRM accounts to help mitigate risks associated with the farm business.

RMP is provincially funded only, meaning the Ontario government funds its traditional 40 per cent share. By keeping administrative costs down through efficient program delivery, more funds are available for payments to producers. All RMP premiums paid by producers are remitted to OMAFRA and then transferred to the Farmer's Risk Management Premium Fund, which is overseen by the commodity organizations. This fund is used to provide additional financial support when needed. See the "Farmer's Risk Management Premium Fund" section on page 24 for more information.

### RMP highlights

In 2016, market prices continued to trend downward, resulting in RMP payments for the cattle, hog, sheep and veal sectors. Continued low commodity prices for major grain and oilseed crops triggered pre-harvest payments for grain and oilseed producers. Post-harvest payments are also expected and are issued in the spring.

### **Appeals process**

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

#### **AgriStability and RMP**

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

program-related decisions. As such, Agricorp may accept the BRMRC non-binding recommendations in full or in part, or may decline to follow the recommendations. Agricorp processes more than 20,000 AgriStability and RMP files each year. Only 23 appeal requests have been received since July 2012, less than one-tenth of a per cent of files processed.

#### **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. This independent body makes final binding decisions on disputes between Agricorp and Production Insurance customers. In 2016–17, Agricorp processed more than 7,000 claims and received no appeal requests.

## Other programs and services

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



In 2016–17, the Grain Financial Protection Program covered \$3.2 billion in grain sales for producers of grain corn, soybean, wheat and canola.

### Farm Business Registration (FBR)

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

In 2016, close to 44,000 farms registered their farm business and were able to choose from three accredited farm organizations: the Ontario Federation of Agriculture, the Christian Farmers Federation of Ontario or the National Farmers Union – Ontario.

### Grain Financial Protection Program

Agricorp delivers the Grain Financial Protection Program on behalf of OMAFRA. This program protects the financial interests of grain corn, soybean, wheat and canola producers who store their products at licensed elevators or sell their products to licensed dealers. When producers sell their grain, a portion of that sale is deposited into a fund managed by the Grain Financial Protection Board. If a grain dealer defaults on payment or a grain elevator defaults on inventory, a producer or the owner of the grain can make a claim against the fund. Agricorp must license all elevator operators and dealers on an annual basis. The licensing process involves a financial analysis of dealers prior to issuing an annual licence plus site inspections to ensure dealers and elevators comply with the *Grains Act*. Inspections involve assessing grain inventory levels, gathering additional financial information and investigating non-compliance complaints.

In 2016–17, Agricorp licensed 264 dealers and 345 elevator operators across Ontario. The program covered \$3.2 billion in grain sales.



*In support of Ontario's Wine and Grape Strategy, Agricorp issued \$7 million to 93 Ontario wineries under the VQA Wine Support Program. We also enrolled 39 vineyard improvement projects, totalling \$1.9 million under the Marketing and Vineyard Improvement Program.*

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

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

In 2016–17, the program's second year, Agricorp enrolled 39 vineyard improvement projects totalling \$1.9 million.

### **VQA Wine Support Program**

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

In September 2016, Agricorp issued program payments of \$7 million to 93 Ontario wineries.

## Services to industry

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

### Data management services (DMS)

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



*Agricorp's data management services capture agronomic information for grapes, apples and tender fruit, supporting the fruit industry in their research, marketing, food safety and production management.*

### Financial services, analysis and communication support

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

#### Farmer's Risk Management Premium Fund

Agricorp provides payment management, customer service, communications and reporting services to the Farmer's Risk Management Premium Fund. Producers who participate in RMP: Grains and Oilseeds and RMP for livestock pay premiums, which are transferred to this industry-managed fund. The fund provides additional risk management support to producers in years of greater need. The following commodity groups manage the fund and decide if and when payments are made: Grain Farmers of Ontario, Beef Farmers of Ontario, Ontario Pork, Ontario Sheep Marketing Agency and Veal Farmers of Ontario.

In 2016–17, Agricorp processed 6,198 payments totaling \$23.3 million from the premium fund.

#### Grain Financial Protection Board (GFPB)

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





*Agricorp helps protect the financial interests of Ontario dairy producers who sell more than \$2 billion worth of milk to the province's 55 dairy processors. (Image courtesy of Farm & Food Care Photo Library)*

### **Dairy Farmers of Ontario**

Under contract with the Dairy Farmers of Ontario, Agricorp helps protect the financial interests of milk producers by analyzing the financial statements of Ontario's dairy processors. In 2016–17, Agricorp analyzed the quarterly and annual financial statements of 55 dairy processors that own 72 processing plants. They purchased more than \$2 billion worth of milk from Ontario producers.

### **Verification and mapping services**

Agricorp provides a variety of mapping, measurement and verification services to commodity groups, industry, and non-profit organizations to support agricultural and conservation initiatives.

We provide mapping and verification services to support the Alternative Land Use Services (ALUS) program, which compensates producers for removing environmentally sensitive land from agricultural production. In 2016–17, we validated 72 producer projects and expanded our work to include five different areas of the province: Norfolk, Elgin, Grey Bruce, Lambton and Eastern Ontario.

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

### **Secretariat services**

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

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

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

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

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

## Management discussion and analysis



In 20 years of program delivery, Agricorp has faced many challenges, risks, and weather events alongside industry stakeholders, OMAFRA and the producers we serve. While helping customers with their risk management needs, Agricorp operates in an environment of open government and transparency, diligent planning and reporting, and fiscal restraint.

### **Agricorp at 20**

When Agricorp opened its doors in 1997, we delivered grading and inspection services along with three programs: Crop Insurance, Market Revenue and the Grain Financial Protection Program. We insured 3.3 million acres and issued \$42 million in program payments. Over the past 20 years, we've delivered a total of 28 programs and issued \$5 billion in payments to Ontario producers. Today, we deliver seven programs and a number of ancillary services to support Ontario's agricultural industry.

Over 20 years of connecting producers with programs, Agricorp has evolved into a first-rate delivery agency. We've learned a great deal along the way.

As our organization has grown, we've worked closely with OMAFRA to establish an effective governance framework. Using governance best practices has helped to improve accountability, transparency and oversight, ensure sound decision-making, and provide effective stewardship of government funds. This involved disciplined planning and reporting and refined procurement practices.

We've strengthened relationships with government and industry stakeholders to better understand and respond to industry needs. Regular program reviews and collaboration with stakeholders ensure programs remain relevant. We share and support ministry principles of fiscal responsibility and have continuously improved our financial management with more precise budgeting and cost effectiveness.

We've focused on ways to continually improve program delivery and efficiency. This includes streamlined and standardized processes to create a customer experience that is predictable, consistent and positive. Our selection of multiple service channels and convenient service options allow customers to do business with us more easily and conveniently.

Finally, we've built a solid workforce of knowledgeable professionals who are skilled in a range of disciplines and who truly care about the customers and the industry we support. Many employees have worked as producers themselves, so they understand first-hand the business of farming. Thirty-six of our original employees are still working for us today.

After 20 years of experience, we've honed our ability to manage the challenges we face. Whether it's extreme weather, changing industry practices, emerging issues or new programs, we have proven we can respond quickly and effectively to be the delivery agent of choice for Ontario agriculture.

### Weather challenges in 2016

Dry weather was the number one peril in 2016, accounting for damage to more than one million acres. Most regions received only half of the usual rainfall in July. Fruit, vegetable and specialty crop growers relied on irrigation for their crops, creating added work and expense. In addition to the weather, producers faced challenges from lower market prices and higher production costs.

Forage had a difficult start due to dry conditions, resulting in the highest annual payments to date under Production Insurance for that plan. Forage later rebounded after some late-season rainfall. Fruit and vegetable crops were damaged by hail in a few areas, resulting in lower yields, lower market prices and reduced quality.

For producers who experienced losses in 2016, risk management programs provided much needed relief. In line with our standard practice, Agricorp kept a

close watch on the weather and the crop situation at the field level. Throughout the year, we kept producers informed about their coverage options and payment timelines so they could factor program payments into their cash flow management plans. We also put plans in place to achieve our processing targets and ensure timely program payments to producers in need.

### 2016 Harvest at a glance

Despite weather conditions, average yields across the province were similar to the historical 10-year average. Individual results were variable with some areas and crops seeing yields below the historic average, while others saw their highest yields in nearly a decade.

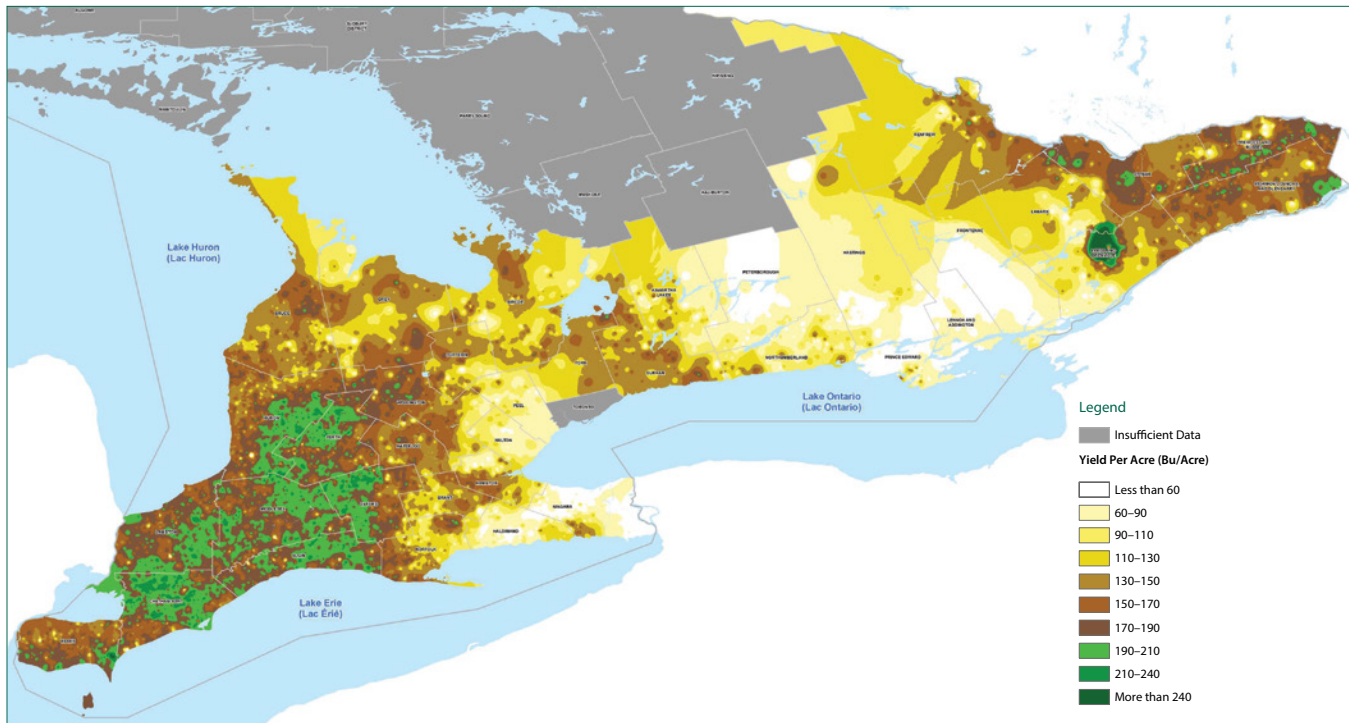
The three crops covering the largest area in Ontario are corn, soybeans and winter wheat, accounting for 4.3 million acres and \$2.2 billion in liability. All three crops fared quite well in 2016, despite a lack of rainfall across most of the province.



*Despite dry weather, yields for corn, soybeans and wheat were average to above average across the province.*

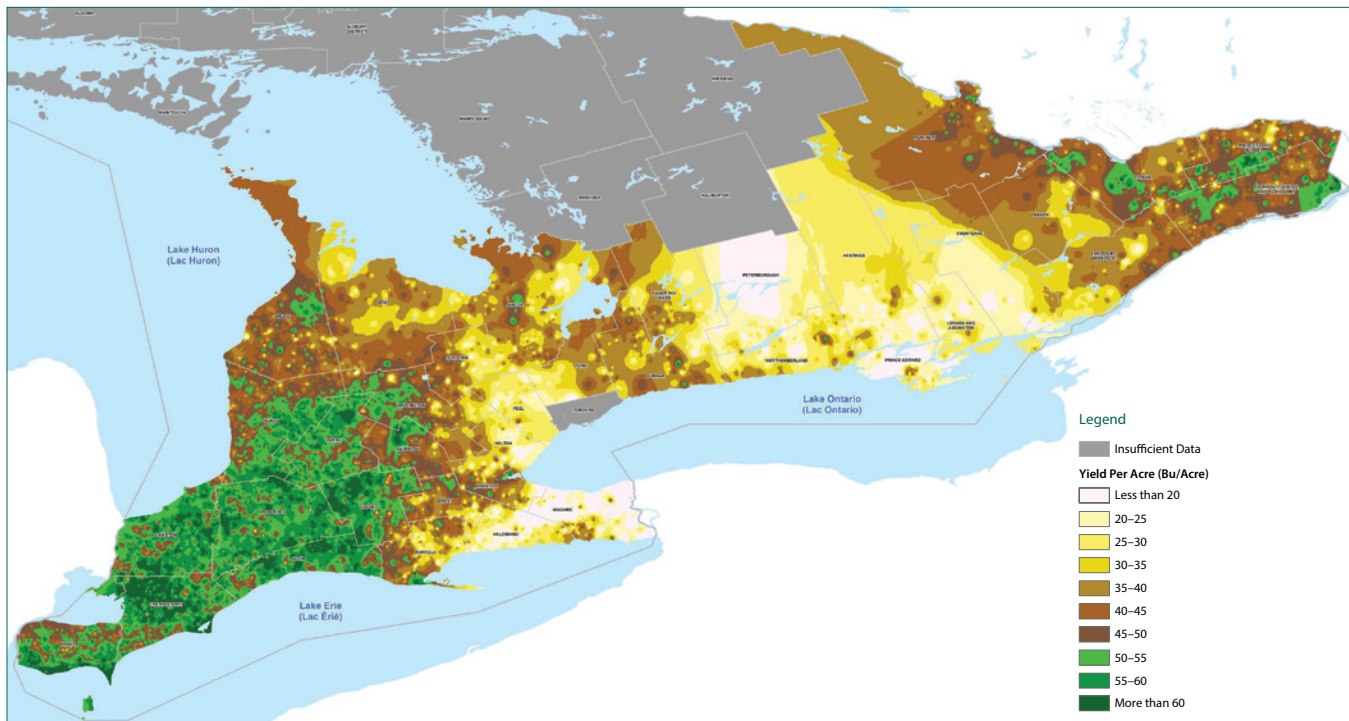
Average corn yield	Average soybean yield	Average winter wheat yield
168 bushels/acre across 1.6 million acres	46 bushels/acre across 2 million acres	96 bushels/acre across 0.8 million acres

## 2016 Corn harvest



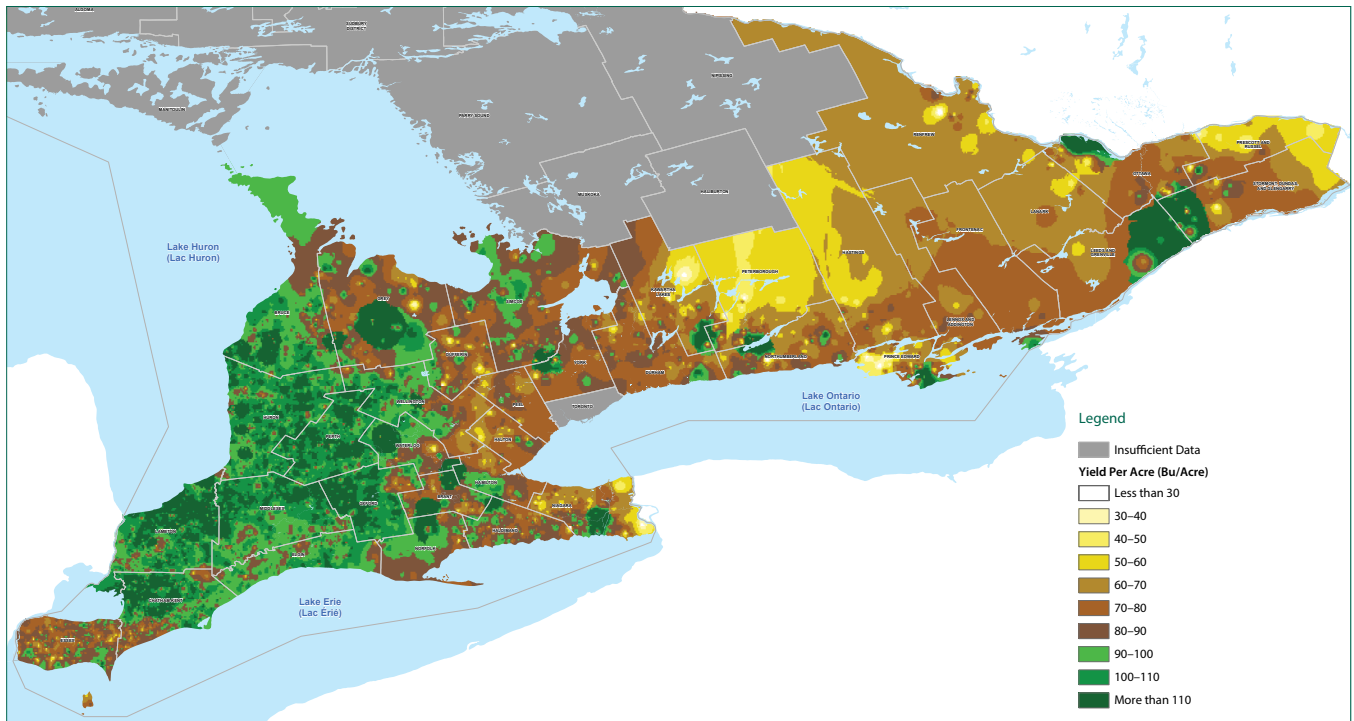
In 2016, customers planted 1.6 million acres of corn and reported an average yield of 168 bushels per acre, slightly higher than the historical average of 166 bushels per acre.

## 2016 Soybean harvest



In 2016, customers planted 2 million acres of soybeans and reported an average yield of 46 bushels per acre, slightly higher than the historical average of 44 bushels per acre.

## 2016 Winter wheat harvest



*In 2016, customers planted 790,000 acres of winter wheat and reported an average yield of 96 bushels per acre, significantly higher than the historical average of 75 bushels per acre.*

### Winter wheat yields explained

While corn and soybean yields were average across the province, more than 3,500 claims were paid to producers who experienced reduced yields due to drought. By contrast, winter wheat yields were well above the historical average for a variety of reasons. Producers were able to plant early in the fall of 2015 because the soybean harvest was early. Winter wheat was planted in good soil conditions and the crop was well established before going into dormancy. The winter of 2015–16 was relatively mild, allowing the wheat to emerge from dormancy in excellent condition. The crop had sufficient moisture to mature through the spring and early summer. The dry conditions from May to July resulted in very little disease pressure. Finally, winter wheat was harvested in July, before the lack of rainfall could have a negative effect.

## Robust business planning

To ensure a strong and consistent performance, we start with a robust business plan supported by timely, transparent reporting. The board of directors and senior management team develop the plan in collaboration with our government partners, and we publish it on our website to ensure full transparency. Our planning process draws on our understanding of the current agricultural industry, a detailed risk assessment, government expectations and our customers' needs.

The plan articulates our strategic direction and priorities for a three-year period. It includes clear performance metrics for our daily operations that are aligned with nationally established performance standards. The plan is updated annually and submitted for approval to the Minister of Agriculture, Food and Rural Affairs before being posted to [agricorp.com](http://agricorp.com). We report on our progress to OMAFRA regularly through monthly, quarterly and issue-specific updates throughout the year. The board also submits an annual report to the minister. Timely and transparent reporting ensures all stakeholders are well informed about how we are delivering on our commitments.

### **Our 2016–19 business plan focused on three clear goals:**

1. Operational efficiency and effectiveness that continue to demonstrate value-for-money
2. Making it easier to do business with Agricornp by improving processes, structures and systems
3. Being ready to deliver additional programs and services that meet the needs of producers and government

Agricornp has made good progress on our business plan. The following pages highlight the actions we've taken to implement our plans and achieve results for 2016–17.

## Operational efficiency and effectiveness

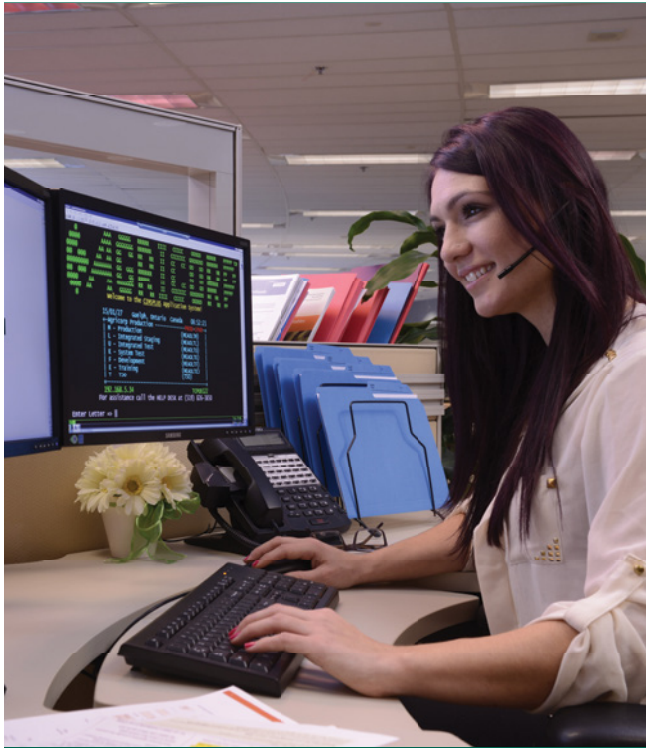
Operating with efficiency and effectiveness has been a fundamental theme for Agricornp since day one, and we continue to focus on improvements in this area. This means streamlining processes, leveraging technology and finding cost savings without sacrificing customer service.

### **Maintaining timely service in a challenging season**

With dry conditions across the province throughout the summer, Agricornp prepared for processing a potentially high number of Production Insurance claims during the fall. We maintained up-to-date analyses of weather, crop conditions and damage report trends to stay on top of crop inspections. We developed plans to ensure quality service and timely claims processing and prepared to reallocate resources as needed. We regularly communicated with producers through multiple channels, so they knew we were here to help. Our employees were front and centre to help customers understand the program coverage available to them, the timing of payments, and key management decisions and production options – such as harvesting grain corn early and selling it as silage or green chop. We worked with producers one-on-one to assess crop damage and explain how their coverage works. This is standard operating procedure for Agricornp and, despite the challenging season, Agricornp met or exceeded all targets for processing files and issuing timely program payments.



*Jeff Leal, Minister of Agriculture, Food and Rural Affairs, has commended Agricornp on the swift response and efficient customer service in drought-affected areas in 2016. Areas severely affected by the drought in 2016 include Prince Edward County, Niagara, Haldimand and Norfolk.*



### Met or exceeded file processing targets

- 79.8% of AgriStability files were processed within 75 calendar days, exceeding the target of 75%
- 95% of AgriStability files were processed by December 9, 2016, ahead of the December 15 target
- 98% of Production Insurance claims were paid within 30 calendar days, exceeding the target of 90%, and the average payment turnaround time was seven days
- 95% of RMP claims for grains and oilseeds and livestock were paid within 60 calendar days, meeting the target
- 98.5% of claims for SDRM: Edible Horticulture were paid within 20 business days, exceeding the target of 95%

*Our employees were front and centre to help customers understand the program coverage available to them, the timing of payments, and key management decisions and production options.*

### Enhancing our technology

Technology plays a critical role in driving efficient service delivery. Agricorp has made significant progress in renewing its IT systems over the past several years.

In 2016, we completed a major project to consolidate customer financial information across programs. Front-line staff now have a centralized view of our customers' financial transactions across most programs, including premiums, fees, program payments, overpayments, monies owing, refunds and interest. We have streamlined our financial processes, reduced manual processes, improved our reporting and analytics, and adopted better controls to detect and prevent errors. This greatly improves our operational efficiency as well as the customer experience. Customers benefit from more timely RMP payments, consistent and clear payment statements, and enhanced AgriStability forms.

The next major phase in our IT renewal strategy is to replace our system for delivering Production Insurance. At 25 years of age, our current system has become increasingly difficult and expensive to maintain. In 2015, we identified ways to modernize and streamline our Production Insurance processes to improve our customer service. In 2016, we selected a software vendor to help us implement the new business and system capabilities for enhanced Production Insurance delivery. We are currently working with both levels of government to secure the necessary investment, and we plan to implement the new system over the next three years. The new system will allow us to improve efficiency and better serve Ontario farmers. It will also help us better serve the government by facilitating faster rollout of new programs or program changes.

### **Staying on budget**

In an era of ongoing fiscal restraint, Agricorp has sharpened its ability to forecast spending requirements and allocate resources effectively. We continue to operate within strict funding envelopes, and have offset inflationary increases through a series of measures, including delivery efficiencies, enhanced technology, lower operating costs and careful resource management.

With 80 per cent of our budget dedicated to staffing, more streamlined and efficient processes have allowed us to do more with less. We regularly review and adjust our program delivery to match the size, scope and complexity of the programs we deliver. Increased use of technology, such as online services and direct deposit, have continued to reduce our printing and mailing costs. Along with reducing non-payroll related costs, we have managed vacancies prudently to remain a cost-effective provider of programs and services.

### **Supporting our people**

Having a skilled and knowledgeable workforce is essential to Agricorp's ability to deliver programs effectively. We made good progress on initiatives around compensation, training, and performance management to ensure employees remain committed, accountable and well prepared to respond to evolving business needs.

In 2016, we made progress in simplifying our performance management tools to make it easier for employees to understand their responsibilities, report on results and save time. We provided ongoing training to ensure employees have the required program expertise to support our customers. System upgrades and training helped employees leverage tools and technology to increase their productivity and work more efficiently. We also strengthened employee communications, providing the context for business decisions to help foster transparency, understanding and employee engagement.

Agricorp's compensation approach is conservative, but must stay relevant to attract, retain and motivate talented people. We continued to align our compensation policy to remain compliant with the provincial government's public sector compensation framework.

Based on the most recent employee engagement survey, Agricorp continues to maintain a high level of overall engagement and commitment to the organization. Significant improvement was noted in areas of company effectiveness, senior leadership and communications.



*Agricorp employees understand and value the agricultural industry and are highly committed to supporting Ontario producers.*

### **Remaining open and transparent**

Under Ontario's Open Data Directive, effective April 1, 2016, Agricorp is required to post a public inventory of all the data sets we create, collect or manage. This supports the province's commitment to improve transparency, accountability and openness. Under the Directive, Agricorp will release data we create, collect or manage as open data, unless it is exempt for legal, privacy, security, confidentiality or commercially-sensitive reasons. Agricorp posted an inventory of data sets in September and will update the inventory on an ongoing basis.



## Making it easier to do business with Agricorp



*Customers are increasingly turning to convenient service options such as online services, direct deposit and email notification. We explain and promote these options at meetings and farm shows.*

We continue to enhance and promote service options that reduce the burden on producers, making it easier for them to do business with us. Convenient services like online transactions, email notification and direct deposit allow customers to spend more time on farming and less time on paperwork. Customer-focused program materials and effective customer outreach help producers understand the programs and make informed business decisions about their risk management needs.

### **Increased use of convenient service options**

Over the summer, we promoted the use of convenient service options to increase awareness about ways to improve the customer experience. Using our website, customer mailings, advertising in farm publications, personal phone calls and discussions at farm shows, our outreach campaign was impactful.

More than 12,000 program payments, roughly one-half of all payments issued, were sent electronically, reaching customers three to five days sooner than payments sent by mail.

In addition, more than 8,000 customers and agents are now registered for online services, an increase of 12 per cent over last year. Registered users can visit our website to submit forms, report acres and view their program documents, such as renewals, invoices and payment statements. In spring 2016, a record number of producers reported their planted grain and oilseed acreage online, marking a 16 per cent increase over the previous year. Online acreage reporting has been extended to 22 crop plans. Customers who reported online valued the convenience of 24/7 reporting and the easy-to-use technology.

### Helpful program information

We continued to simplify our print materials to help producers understand our programs, as well as their responsibilities and options. Using plain language, clear writing and effective design in program materials and forms makes it easier for producers to participate and supports timely processing of program transactions, including payments.

In 2016, AgriStability participants were able to access both their pre-populated, year-end claim form and Statement A form three months earlier than in previous years. This allowed customers with off-calendar year-ends to complete and submit their reports sooner, using pre-filled rather than blank forms. Pre-filled forms help ensure accurate information and speed up processing. Both forms were available either online or by mail.

In early 2017, Agricorp introduced redesigned payment statements for AgriStability, RMP: Grains and Oilseeds and SDRM: Edible Horticulture. The new statements are clear, easy to understand and consistent across programs. Having important payment details in the same place for all programs makes it easier for producers to find and understand their payment calculations. Over time, the new format will be extended to Production Insurance.

### Effective customer outreach

In a year with challenging weather and market conditions, customer outreach is essential to remind customers how programs respond and how Agricorp can help. We use multiple communication channels to keep producers aware of their program options so they can make informed choices about the coverage they need.



*Agricorp attends more than 100 producer meetings and farm shows each year, where we meet with producers face to face and discuss the issues that matter to them.*

In 2016, we issued several news items on [agricorp.com](http://agricorp.com) with tips on various topics from securing the right coverage and easy reporting to suggestions for coping with stressed crops. We refreshed our customer updates in farm publications, using visuals and real-life scenarios to engage customers, promote convenient service options, and reinforce the importance of matching each farm business risk to programs.

Agricorp attends more than 100 producer meetings and farm shows each year, where we meet with producers face to face and discuss the issues that matter to them. We introduced a new interactive tool at the farm show this year, where producers could compare their yields to the county average, match their risks to available programs based on what they produce, and learn easier ways to do business with Agricorp.

## Ready to deliver

Being ready to deliver means being flexible and adaptive to the needs of the provincial government and the industry we serve. Our goal is to ensure the programs and services we deliver today and will deliver in the future are relevant to the changing needs of agriculture. We do this by connecting with both government and industry when working on program development and enhancements. In 2016–17, we collaborated closely with industry to enhance our plans and keep them relevant in a changing environment.

### Added coverage for tree fruit and grape plans

We have always offered insurance coverage for fruit, but not for all trees and vines. Recognizing that tree and vine health is vital to a grower's business, we worked with OMAFRA and commodity groups to introduce new coverage options for tree fruit and grape plans. Starting in 2017, tender fruit trees are now covered for the first time at no additional cost to the producer, matching the coverage already in place for apple trees and grape vines. In addition, apple, grape and tender fruit growers now have the option to buy additional coverage for all trees and vines, and can insure trees and vines in the first crop year after planting.

### Separate coverage for peaches and nectarines

For several years, nectarines were covered under the Production Insurance plan for peaches, as there was limited data and little interest from growers in having a separate plan. With an increase in nectarine production, Agricorp now offers separate category coverage for nectarines and peaches to better reflect the price and risk profiles of each commodity, providing more tailored coverage for growers.



*We continue to enhance coverage for fruit growers, recognizing that tree health, vine health and coverage in the first year after planting are vital to a grower's business.*

### Enhanced forage coverage helps producers

Providing satisfactory insurance coverage for the forage crops is a challenge around the world. Agricorp has worked closely with OMAFRA, the Beef Farmers of Ontario, Dairy Farmers of Ontario, Ontario Forage Council, Ontario Federation of Agriculture, and Ontario Soil and Crop Improvement Association to review the forage rainfall plan. The plan was enhanced in 2014–15 to provide more comprehensive and tailored coverage that better meets producers' needs. The plan covers both insufficient rainfall during the growing season and excess rainfall during harvest periods.

With most areas of the province experiencing dry conditions in 2016, this was the first year plan enhancements were put to the test. The plan responded as intended and affected producers were compensated more appropriately than they would have been under the previous model. In 2016, Ontario forage producers received \$10.9 million in program payments, of which \$7.3 million was for insufficient rainfall. This represents the highest payment to date for the forage rainfall plan.



*Recent changes to the forage rainfall plan meant that the plan was more responsive, helping producers affected by dry conditions in 2016.*

Agricorp met with industry stakeholders to assess the performance of the plan in 2016. While the enhanced plan performed better and provided relevant coverage for the dry conditions, stakeholder feedback indicated the need for more promotion, education and clarity around the coverage options and benefits of the plan. Many producers underestimated the value of their forage, insuring only 67 per cent of the maximum value. To address these concerns, Agricorp has committed to working closely with stakeholders and OMAFRA to increase producer awareness and understanding of the forage rainfall plan.

### **Completed Production Insurance enhancements started in 2015**

Last year, we reported on Production Insurance enhancements in progress for processing cucumbers, oats, barley, adzuki beans and the unseeded acreage

benefit. Working closely with stakeholders to ensure changes would reflect current industry practices, we completed the following enhancements for the 2016 program year:

- New features for machine-harvested cucumbers covered by the processing cucumber plan, increasing its relevance and value for the industry
- New crop-specific plans for oats, barley and adzuki beans, allowing producers to select coverage tailored more closely to their needs
- Enhanced unseeded acreage benefit, which compensates producers who are not able to plant due to weather or other insured perils (producers in Production Insurance and RMP can now select their dominant crop each year, obtaining coverage more relevant to their operation)



*We continued to update the processing cucumber plan to keep pace with producer needs and ongoing industry changes.*

We collaborated closely with the Ontario Processing Vegetable Growers to ensure we clearly understood, implemented and communicated the changes to customers.

**Ongoing changes to processing cucumber plan**

The processing vegetable industry in Ontario underwent changes in 2016–17. For processing cucumbers, the contract negotiated for 2017 shifted the responsibilities of seeding, harvesting and delivering crop from the processor back to the grower. This eliminated the need for a number of changes made to the plan for 2016. Agricorp worked quickly to align plan updates for 2017 with industry changes. This included re-establishing the discount/surcharge for growers and removing both the seed cost and bypass benefits for processors. We collaborated closely with the Ontario Processing Vegetable Growers to ensure we clearly understood, implemented and communicated the changes to customers.

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Customer satisfaction remains high – 94 per cent of customers who participated in our customer satisfaction survey said we perform the same or better than other companies they deal with.

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## Customer satisfaction is high

Every year, a market research firm conducts a detailed survey with a cross section of Agricorp customers. According to the latest survey completed in January 2017, overall satisfaction with Agricorp has increased since last year. When asked how Agricorp compares to other companies they deal with, 94 per cent of survey respondents said we perform the same or better. Our strongest attributes are “operating with the utmost integrity,” “getting things done in a reasonable amount of time” and “doing things right the first time.”

Customers are also satisfied with the programs we deliver. Survey results indicate that the programs are working and adding value. The vast majority of customers believe the programs stabilize their income and give them the confidence to invest in business improvements, especially for Production Insurance at more than 80 per cent.

These strong results speak to the improvements we’ve made in our customer service and to our steadfast focus on quality. Agricorp employees are highly committed to supporting Ontario agriculture and the producers we serve. Maintaining these results will be a challenge – but after 20 years of connecting producers with programs, we’ll be ready.

## 2016–17 Performance targets and results

Targets	Results
Achieve a consistently high overall customer service rating equal to the previous three-year average.	In the 2017 customer satisfaction survey, Agricorp’s overall performance rating was 3.61*, which is above the previous three-year average of 3.60.*
Process 95 per cent of AgriStability files by December 15, 2016.	Agricorp processed 95 per cent of the 2015 AgriStability files by December 7, 2016.
Process 95 per cent of Production Insurance claims within 30 calendar days of receipt of all required information.	Agricorp processed 98 per cent of Production Insurance claims within 30 calendar days.
Process 95 per cent of RMP payments within 60 days of receipt of all required information.	Agricorp processed 99 per cent of RMP: Grains and Oilseeds, RMP for livestock and SDRM: Edible Horticulture payments within 60 days.
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 2014 program year was reduced by 25 per cent, with 101 amendments compared to 134 amendments for the 2013 program year.
Provide quality processing of Production Insurance files with an error rate of less than two per cent.	The error rate was zero per cent for Production Insurance files.
Provide quality processing of RMP files with an 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 refined its compliance oversight processes. Agricorp completed the Chair and CEO attestation for 2016–17 on March 29, 2017 as requested by the Government of Ontario and in compliance with the Agencies and Appointments Directive.



Targets	Results
Submit a three-year business plan, which includes a budget and risk management plan to the minister by March 1, 2017.	Agricorp's 2017–20 business plan was submitted to the minister on February 27, 2017.
Provide sound and balanced operational performance and financial reports to OMAFRA quarterly.	Operational and financial reports were provided to the ministry on a monthly and quarterly basis.
Submit an annual report to the minister within 120 days of Agricorp's year-end.	Agricorp's 2015–16 annual report was submitted to the minister on July 27, 2016, 118 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 2017 customer satisfaction survey, Production Insurance received a rating of 4.32.**
Achieve a mean customer satisfaction survey rating of 3.50 or higher for AgriStability.	In the 2017 customer satisfaction survey, AgriStability received a rating of 3.64.**
Achieve a mean customer satisfaction survey rating of 3.50 or higher for RMP.	In the 2017 customer satisfaction survey, RMP received a rating of 3.81.**

\* Customer satisfaction survey results are scores out of five.

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

## Management's responsibility for financial reporting

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

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

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

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

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

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**Doug LaRose**

Chief Executive Officer

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**Erich Beifuss**

Chief Financial Officer

June 22, 2017



Office of the Auditor General of Ontario  
Bureau de la vérificatrice générale 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, 2017, 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, 2017 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.

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Toronto, Ontario  
June 22, 2017

Susan Klein, CPA, CA, LPA  
Assistant Auditor General

## Statement of financial position

As at March 31, 2017 with comparative information for 2016

(In thousands of dollars)	General Fund	Production Insurance Fund	2017	2016
<b>Current assets</b>				
Cash	\$ 5,232	\$ 37,530	\$ 42,762	\$ 23,492
Short term investments (note 5)	476	735,503	735,979	617,433
Accounts receivable (note 4)	2,634	5,452	8,086	8,487
Funds under administration (note 3)	111,193	–	111,193	91,865
Prepaid expenses	650	–	650	670
<b>Total current assets</b>	<b>120,185</b>	<b>778,485</b>	<b>898,670</b>	<b>741,947</b>
Long term investments (note 5)	–	108,856	108,856	247,723
Accrued pension asset (note 11)	8,276	–	8,276	8,014
Capital assets (note 6)	638	–	638	812
<b>Assets</b>	<b>\$ 129,099</b>	<b>\$ 887,341</b>	<b>\$ 1,016,440</b>	<b>\$ 998,496</b>
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 5,466	\$ 216	\$ 5,682	\$ 14,143
Unearned premiums and revenue (note 9)	3,778	16,889	20,667	27,411
Provision for claims	–	1,200	1,200	4,170
Funds under administration (note 3)	111,193	–	111,193	91,865
<b>Total current liabilities</b>	<b>120,437</b>	<b>18,305</b>	<b>138,742</b>	<b>137,589</b>
<b>Fund balances</b>				
Unrestricted funds	8,662	–	8,662	8,549
Restricted funds	–	866,228	866,228	845,606
<b>Total fund balances</b>	<b>8,662</b>	<b>866,228</b>	<b>874,890</b>	<b>854,155</b>
Accumulated remeasurement gains	–	2,808	2,808	6,752
<b>Liabilities, fund balances and accumulated remeasurement gains</b>	<b>\$ 129,099</b>	<b>887,341</b>	<b>\$ 1,016,440</b>	<b>\$ 998,496</b>

### Commitments and contingencies (note 12)

See accompanying notes to financial statements

Approved on behalf of the Board

**Murray Pórtéous**

Board Chair

**Harry Stoddart**

Finance and Audit Committee Chair

## Statement of operations and fund balances

Year ended March 31, 2017 with comparative information for 2016

(In thousands of dollars)	General Fund	Production Insurance Fund	2017	2016
<b>Revenue</b>				
Funding – provincial government (note 8)	\$ 19,713	\$ 32,342	\$ 52,055	\$ 50,465
Funding – federal government (note 8)	19,516	48,508	68,024	65,143
Premiums from producers	–	54,210	54,210	50,631
Consulting and other services	852	–	852	844
Investment income	52	16,918	16,970	18,284
<b>Total revenue</b>	<b>40,133</b>	<b>151,978</b>	<b>192,111</b>	<b>185,367</b>
<b>Expenses</b>				
Claims	–	127,709	127,709	97,804
Reinsurance (note 10)	–	3,641	3,641	3,699
Administration (note 15)	40,020	–	40,020	39,706
Bad debts	–	6	6	44
<b>Total expenses</b>	<b>40,020</b>	<b>131,356</b>	<b>171,376</b>	<b>141,253</b>
Excess of revenue over expenses	113	20,622	20,735	44,114
Fund balances, beginning of year	8,549	845,606	854,155	810,041
<b>Fund balances, end of year</b>	<b>\$ 8,662</b>	<b>\$ 866,228</b>	<b>\$ 874,890</b>	<b>\$ 854,155</b>

### Related party transactions (note 13)

See accompanying notes to financial statements

## Statement of remeasurement gains and losses

Year ended March 31, 2017 with comparative information for 2016

(In thousands of dollars)	2017	2016
<b>Accumulated remeasurement gains, beginning of year</b>	\$ 6,752	\$ 13,351
Unrealized (losses) on investments	(3,010)	(5,653)
Realized (gains) reclassified to the statement of operations and fund balances	(934)	(946)
<b>Net change for the year</b>	<b>(3,944)</b>	<b>(6,599)</b>
<b>Accumulated remeasurement gains, end of year</b>	<b>\$ 2,808</b>	<b>\$ 6,752</b>

*See accompanying notes to financial statements*

## Statement of cash flows

Year ended March 31, 2017 with comparative information for 2016

(In thousands of dollars)	General Fund	Production Insurance Fund	2017	2016
<b>Cash provided by operating activities</b>				
Excess of revenue over expenses	\$ 113	\$ 20,622	\$ 20,735	\$ 44,114
<b>Items not requiring an outlay of cash</b>				
Realized (gains) on investments	–	(934)	(934)	(946)
Amortization of capital assets	572	–	572	885
<b>Total</b>	<b>685</b>	<b>19,688</b>	<b>20,373</b>	<b>44,053</b>
<b>Changes in non-cash working capital</b>				
Accounts receivable	987	(586)	401	3,528
Prepaid expenses	20	–	20	36
Accrued pension asset	(262)	–	(262)	(1,035)
Accounts payable and accrued liabilities	(461)	(8,000)	(8,461)	8,161
Unearned premiums and revenue	(215)	(6,529)	(6,744)	7,740
Provision for claims	–	(2,970)	(2,970)	(71)
<b>Total</b>	<b>69</b>	<b>(18,085)</b>	<b>(18,016)</b>	<b>18,359</b>
<b>Investing activity</b>				
Net proceeds (purchase) of investments	1,993	15,318	17,311	(40,574)
<b>Capital activity</b>				
Purchase of capital assets	(398)	–	(398)	(559)
Increase in cash	2,349	16,921	19,270	21,279
<b>Cash, beginning of year</b>	<b>2,883</b>	<b>20,609</b>	<b>23,492</b>	<b>2,213</b>
<b>Cash, end of year</b>	<b>\$ 5,232</b>	<b>\$ 37,530</b>	<b>\$ 42,762</b>	<b>\$ 23,492</b>

See accompanying notes to financial statements

# Notes to the financial statements

Year ended March 31, 2017 with comparative information for 2016

## 1. Nature of operations

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

### Government – Production Insurance

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

### Government – Other Business Risk Management

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

### Other

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

As an Ontario Crown agency, Agricorp is exempt from income taxes.

## 2. Significant accounting policies

### a) Basis of accounting

The financial statements of Agricorp have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) for governments as recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada (CPA Canada). Agricorp has also elected to apply the section 4200 standards for Government Not-For-Profit Organizations.

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

Agricorp uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative revenues and expenses, as well as for all unsegregated activities. The Production Insurance Fund is used to account for activities specific to the Production Insurance program (see note 1).

### b) Capital assets

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

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



### c) Employee future benefits

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

#### i) Pension plan

Agricorp sponsors a contributory defined benefit registered pension plan for all full-time and eligible part-time employees as well as a supplemental defined benefit pension plan for eligible employees. Unless otherwise noted, information on Agricorp's post-employment benefit programs is presented on a consolidated basis.

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

#### ii) Accumulated sick leave

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

### d) Revenue recognition

Under the General Fund, Agricorp accounts for government funding under the deferral method of accounting. Government funding used for the purchase of capital assets is deferred and

amortized into revenue on the same basis and at rates corresponding to those of the related capital assets. All remaining government funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

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

### e) Financial instruments

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

All financial instruments are recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record short-term demand deposit type investments at amortized cost, which approximates fair value, and all other investments at fair value. Guaranteed Investment Certificates (GIC) are valued based on cost plus accrued interest, which approximates fair value.

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

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the

loss is reported in the statement of operations and fund balances. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When an asset is sold, unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and fund balances.

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

**Level 1** – unadjusted quoted market prices in active markets for identical assets or liabilities;

**Level 2** – observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

**Level 3** – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

#### f) Use of estimates

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

#### g) Provision for claims

The provision for claims liability represents management's estimate of the total cost of Production Insurance claims outstanding at year-end. Measurement of this provision is uncertain as all of the necessary information for reported claims is not always available as of the year-end date and therefore estimates are made as to the value of these claims.

### 3. Funds under administration

Agricorp processes and disburses payments to producers enrolled in business risk management and non-business risk management agricultural programs. These programs are generally administered on behalf of OMAFRA for producers in Ontario, and cover joint Canada-Ontario, Canada-only and Ontario-only programs. Individual program delivery agreements are in place for each program.

Program payments are calculated according to program requirements and the program delivery agreements. Funding is provided by the federal and/or provincial governments 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 program. AgriStability has been in effect since 2007. This program provides agricultural producers with financial protection against large declines in farm margin. To participate, producers must

enroll in the program and pay administration and enrollment fees based on their reference margin for specified prior years. Producers are also required to submit an application that includes production data and farming income (or loss) reported for income tax purposes.

AgriStability is cost shared by the federal and provincial governments at a basis of 60% and 40% respectively.

b) **Risk Management Program (RMP)**

RMP helps producers offset losses caused by low commodity prices and fluctuating production costs. RMP is fully funded by the provincial government and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments. Effective January of 2015, AgriStability participation is no longer an eligibility requirement of RMP. RMP includes the following plans:

**RMP: Grains and Oilseeds (RMP-GO)**

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

**RMP for livestock (RMP-LS)**

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

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

Under the terms of the plan, producers of edible horticulture deposit into their account a percentage of their eligible net sales and a contribution is made into the account by the provincial government. Funds can be withdrawn

to cover risks to the farm business, such as a reduction in income or other farm-related expenses or losses. To participate, producers must make a deposit into their SDRM account and provide a premises identification number.

c) **General Top-Up Program (GTUP)**

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

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

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

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

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

f) **Other programs**

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

### Farm Business Registration (FBR)

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

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

(In thousands of dollars)	Opening balance 2017	Funding, federal government	Funding, provincial government	Other	Payments	Closing balance 2017
AgriStability	\$ 73,018	\$ 45,940	\$ 23,085	\$ 9,649	\$ (58,803)	\$ 92,889
RMP-GO	256	–	36,335	(9)	(36,438)	144
RMP-LS	6,432	–	40,059	(1,383)	(40,195)	4,913
RMP-SDRM	8,879	–	21,070	223	(20,753)	9,419
GTUP	2,507	–	–	26	–	2,533
MVIP	306	–	1,868	465	(1,856)	783
VQA-WSP	–	–	7,000	–	(7,000)	–
Other Programs	467	–	4	45	(4)	512
<b>Total</b>	<b>\$ 91,865</b>	<b>\$ 45,940</b>	<b>\$ 129,421</b>	<b>\$ 9,016</b>	<b>\$ (165,049)</b>	<b>\$ 111,193</b>

(In thousands of dollars)	Opening balance 2016	Funding, federal government	Funding, provincial government	Other	Payments	Closing balance 2016
AgriStability	\$ 65,946	\$ 24,714	\$ 10,017	\$ 9,521	\$ (37,180)	\$ 73,018
RMP-GO	203	–	56,978	16	(56,941)	256
RMP-LS	2,302	–	40,833	2,041	(38,744)	6,432
RMP-SDRM	6,731	–	21,238	3,622	(22,712)	8,879
GTUP	2,482	–	16	50	(41)	2,507
MVIP	–	–	2,000	(465)	(1,229)	306
VQA-WSP	–	–	7,000	–	(7,000)	–
Other programs	945	–	1,924	10	(2,412)	467
<b>Total</b>	<b>\$ 78,609</b>	<b>\$ 24,714</b>	<b>\$ 140,006</b>	<b>\$ 14,795</b>	<b>\$ (166,259)</b>	<b>\$ 91,865</b>

The Other transactions column in the tables above include items such as producer fees and premiums, and changes in program receivables and payables.

#### 4. Accounts receivable

Accounts receivable are comprised primarily of amounts due from the federal and provincial governments and from producers.

(In thousands of dollars)	2017	2016
Funding – federal government	\$ 5,403	\$ 4,886
Funding – provincial government	1,408	1,751
Other	1,411	1,980
	8,222	8,617
Less allowance for doubtful accounts	(136)	(130)
<b>Total</b>	<b>\$ 8,086</b>	<b>\$ 8,487</b>

#### 5. Investments

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

##### a) Portfolio profile

(In thousands of dollars)	2017	2016
<b>Short-term</b>		
Province of Ontario	\$ 21,905	\$ 48,373
Other provincial governments	31,932	31,331
Provincial utilities	11,634	7,131
Financial institutions – deposits held	195,775	252,277
Financial institutions – guaranteed investment certificates/bonds	474,733	278,321
	735,979	617,433
<b>Long-term</b>		
Province of Ontario	11,507	33,044
Other provincial governments	39,358	73,580
Provincial utilities	22,514	34,400
Financial institutions	35,477	106,699
	108,856	247,723
<b>Total</b>	<b>\$ 844,835</b>	<b>\$ 865,156</b>

## b) Maturity profile of the investment portfolio

(In thousands of dollars)		2017		2016
< 1 Year	\$	735,979	\$	617,433
1–3 Years		108,856		247,723
<b>Total</b>	<b>\$</b>	<b>844,835</b>	<b>\$</b>	<b>865,156</b>

## c) Fair value hierarchy

(In thousands of dollars)	Level		2017		2016
Cash and equivalents	1	\$	195,775	\$	252,277
Guaranteed investment certificates	2		505,168		373,508
Bonds	1		143,892		239,371
<b>Total</b>		<b>\$</b>	<b>844,835</b>	<b>\$</b>	<b>865,156</b>

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

## 6. Capital assets

(In thousands of dollars)	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Furniture and fixtures	\$ 1,218	\$ 1,215	\$ 3	\$ 6
Computer hardware	4,235	3,669	566	532
Leasehold improvements	1,955	1,945	10	19
Computer software	13,136	13,077	59	255
<b>Total</b>	<b>\$ 20,544</b>	<b>\$ 19,906</b>	<b>\$ 638</b>	<b>\$ 812</b>

## 7. Financial instruments risk management

### a) Market risk

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

Agricorp operates within the constraints of the investment guidelines set out by legislation that restricts Agricorp's investments to highly liquid, high-grade investments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

### b) Interest rate risk

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

Fluctuations in interest rates have a direct impact on the market valuation of Agricorp's fixed income securities portfolio. The average return on investments is 2.20% (2016 – 2.45%). Fluctuations in interest rates could have a significant impact on the fair value of the fixed income securities profile. Although investments are generally held to maturity, realized gains or losses could result if actual Production Insurance claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations. There have been no significant changes from the previous year in the exposure to risk or to policies, procedures and methods used to measure the risk.

Agricorp's bond portfolio has interest rates ranging from 2.28% to 5.50% (2016 – 2.28% to

5.50%) with maturities ranging from June 2017 to December 2018 (2016 – June 2016 to December 2018). As at March 31, 2017, a 1% fluctuation in interest rates, with all other variables held constant, would increase/decrease the value of bonds by an estimated \$1.6 million (2016 – \$3.7 million).

### c) Credit risk

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

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

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

## 8. Funding – provincial and federal

### a) Production Insurance Fund

Premiums from producers represent 40% of the total funding of the Production Insurance program. The federal and provincial governments fund the remaining premiums at a basis of 60% and 40% respectively.

### b) General Fund

Agricorp provides administration services on a cost recovery basis to process and disburse payments to producers enrolled in business risk management agricultural programs. The federal and provincial governments have agreed to share the costs of administering Production Insurance, AgriStability and GTUP at the ratio of 60% and 40% respectively. The costs to administer RMP-GO, RMP-LS, RMP-SDRM, MVIP and VQA-WSP are funded by the provincial government.

## 9. Unearned premiums and revenue

Unearned premiums represent Production Insurance premiums of \$16.9 million (2016 – \$23.4 million) received by Agricorp in the current fiscal year, and are recognized as revenue in the year in which the related crops are harvested. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of \$0.7 million (2016 – \$0.8 million) and other unearned amounts of \$3.1 million (2016 – \$3.2 million).

## 10. Reinsurance agreement

Agricorp has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume Production Insurance losses based on negotiated thresholds. Agricorp purchased reinsurance to mitigate a fixed percentage of losses for 2016 Production Insurance claims in excess of \$495 million to a maximum of \$587 million (2015 crop year – in excess of \$475 million to a maximum of \$564 million). As actual claims for the 2016 crop year were less than the minimum threshold, no reinsurance payments were received by Agricorp.

Agricorp signed an agreement in December of 2016 whereby it purchased reinsurance through a number of carriers for the 2017 production year. The amount purchased under this agreement is to mitigate a fixed percentage of losses between 19% and 21% of insured liability, subject to a maximum of \$3.75 billion (2016 – \$3.77 billion).

## 11. Pension

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



(In thousands of dollars)	2017	2016
<b>Accrued benefit obligation</b>		
<b>Balance, beginning of year</b>	\$ 45,337	\$ 40,457
Current service cost	2,557	2,342
Interest cost	2,798	2,657
Employee contributions	1,438	1,447
Benefits paid	(1,545)	(3,026)
Actuarial loss	146	1,460
Plan amendment	97	–
<b>Balance, end of year</b>	<b>\$ 50,828</b>	<b>\$ 45,337</b>
<b>Plan assets</b>		
Fair value, beginning of year	\$ 52,622	\$ 52,000
Actual return on plan assets	6,211	(170)
Employer contributions	2,513	2,371
Employee contributions	1,438	1,447
Benefits paid	(1,545)	(3,026)
<b>Fair value, end of year</b>	<b>\$ 61,239</b>	<b>\$ 52,622</b>
<b>Funded status</b>		
Plan surplus	\$ 10,411	\$ 7,285
Unamortized actuarial (gain) loss	(2,135)	729
<b>Accrued pension asset</b>	<b>\$ 8,276</b>	<b>\$ 8,014</b>

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

	2017 %	2016 %
Discount rate to determine accrued benefit obligation	6.00	6.00
Discount rate to determine benefit cost	6.00	6.00
Expected long-term rate of return on plan assets	6.00	6.00
Rate of compensation increase	3.25	3.25

The net benefit plan expense is as follows:

(In thousands of dollars)	2017	2016
Current service cost	\$ 2,557	\$ 2,342
Interest cost	2,798	2,657
Expected return on plan assets	(3,233)	(3,405)
Amortization of unrecognized loss	44	(269)
Plan amendment	97	–
<b>Net benefit plan expense</b>	<b>\$ 2,263</b>	<b>\$ 1,325</b>

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

Security type	2017 %	2016 %
Canadian equities	30.5	29.0
U.S. equities	18.6	18.5
International equities	11.6	11.5
Bonds	28.8	29.1
Real estate	8.9	10.0
Cash and cash equivalents	1.6	1.9
<b>Total plan</b>	<b>100.0</b>	<b>100.0</b>

An external investment advisor manages the investments held by the pension plan. Administration expenses on the statement of operations and fund balances include pension expense of \$2.3 million (2016 – \$1.3 million).

The most recent pension plan actuarial valuation is as of January 1, 2017. At that time, the plan had a going concern actuarial surplus of \$7.0 million and had a solvency and wind-up deficit of \$9.2 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 required to be completed as of January 1, 2020.

## 12. Commitments and contingencies

### a) Commitments

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

(In thousands of dollars)	Head Office Location (note 13)	Others	Total
2018	\$ 1,127	\$ 2,528	\$ 3,655
2019	1,153	1,760	2,913
2020	1,170	710	1,880
2021	1,189	454	1,643
2022	1,207	348	1,555
Thereafter	5,025	1,469	6,494
<b>Total</b>	<b>\$ 10,871</b>	<b>\$ 7,269</b>	<b>\$ 18,140</b>

### b) Contingencies

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

## 13. Related party transactions

Agricorp has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and internal auditing services amounted to \$0.2 million (2016 – \$0.2 million). In addition, Agricorp rents its head office location from the Ontario Infrastructure and Lands Corporation for a total cost for the year of \$1.1 million (2016 – \$0.8 million). Agricorp earned revenue of \$52.1 million (2016 – \$50.5 million) from OMAFRA as their share of Production Insurance premium and operating funding.

## 14. Board remuneration and salary disclosure

Total remuneration to members of the Board of Directors was \$43 thousand (2016 – \$35 thousand). The *Public Sector Salary Disclosure Act, 1996* requires Agricorp to disclose employees paid an annual salary in excess of \$100 thousand. The complete disclosure for Agricorp is included in the “Public Sector Salary Disclosure 2017: Crown Agencies” listing on the Government of Ontario website: <https://www.ontario.ca/page/public-sector-salary-disclosure-2017-all-sectors-and-seconded-employees>.

For the 2016 calendar year, the actual amounts paid to the five employees with the highest annual salaries are:

Name	Position	Salary	Taxable benefits
Beifuss, Erich	Chief Financial Officer	\$ 163,643	\$ 606
Fazil, Abbas	Director, Architecture Services	146,629	569
Jackiw, Randy	Chief Executive Officer <sup>1</sup>	184,631	10,880
LaRose, Doug	Chief Executive Officer	189,244	688
Sayer, Greg	Senior Director, Legal Services	155,739	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.

<sup>1</sup> Effective August 2015, Randy Jackiw, CEO, accepted a secondment with OMAFRA, which includes an arrangement for the re-imbursment of agreed salary costs. The secondment ended on February 17, 2017 when Randy Jackiw accepted a permanent position with OMAFRA.

## 15. Administration

(In thousands of dollars)	2017	2016
Salaries and benefits	\$ 31,459	\$ 31,307
Equipment and maintenance	2,471	2,420
Consulting and professional	1,972	1,490
Facilities	1,387	1,245
Amortization	572	885
Telephone and postage	787	865
Office	590	684
Vehicle and travel	582	565
Other	200	245
<b>Total</b>	<b>\$ 40,020</b>	<b>\$ 39,706</b>

## 16. Comparative figures

Certain 2016 figures have been reclassified to conform to the current year's presentation.







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