



2018-19 Annual Report

Strengthening Ontario Agriculture



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Introduction

Agricorp is an agency of the government of Ontario that delivers business risk management programs and other business support programs to Ontario agricultural producers on behalf of the provincial and federal governments. It was created under the [AgriCorp Act, 1996](#), and is a board-governed agency. 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 customer service, insurance underwriting, claims processing, 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.

Delivering programs to strengthen farm businesses

The agriculture and agri-food industry is a major economic driver in Ontario. It generates \$39.5 billion¹ in gross domestic product and creates 822,000 jobs, more than 11 per cent of all jobs in the province.² Ontario producers work hard in a volatile and challenging environment to produce safe, high-quality products that feed millions of people at home and abroad.

Governments around the world offer agricultural risk management programs to protect global commodities, food supply and the economic engine that is agribusiness. Agricorp is proud to deliver these programs to Ontario producers. Risk management programs help producers manage risks beyond their control so they have the confidence to innovate and invest in their businesses.

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 and customer service.

Each year Agricorp delivers programs cost-effectively, with an emphasis on efficiency, continuous improvement and quality customer service. In 2018-19, the programs delivered by Agricorp provided \$5 billion in coverage and \$276 million in program 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.

¹ Ontario Ministry of Agriculture, Food and Rural Affairs [Economic Indicators website](#) – Ontario Gross Domestic Product (GDP) for Agri-Food Sector, 2007-2017(\$ million), June 8, 2018

² Ontario Ministry of Agriculture, Food and Rural Affairs [Economic Indicators website](#) – Employment in Agri-food Sector, Ontario, 2007-2017, June 8, 2018

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.

Our mandate

In October 2017, the Minister of Agriculture, Food and Rural Affairs sent a mandate letter to Agricorp's Board Chair, setting out the Minister's expectations of Agricorp. The expectations for 2018-19 are addressed in Agricorp's annual business plan and reported on below.

Minister's expectations	Agricorp's results
Assume delivery of additional programs, including the Provincial Premises Registry and Farm Property Class Tax Rate Program while continuing to provide efficient and timely program delivery and quality customer service and while meeting and/or exceeding Ministry-Agency targets	Three programs were successfully transitioned to Agricorp: the Provincial Premises Registry in February 2018, the Ontario Beef Cattle Financial Protection Program in January 2019, and the Farm Property Class Tax Rate Program in February 2019. See the following sections in this report for details: Provincial Premises Registry , Beef Cattle Financial Protection Program , and Farm Property Class Tax Rate Program . We continue to provide effective program communications and strong customer service. For other performance measures and results, see 2018-19 Performance measures and results .

Minister's expectations	Agricorp's results
Support the Ministry's program policy and design work in the following: the transition from <i>Growing Forward 2</i> to the <i>Canadian Agricultural Partnership</i> , the Business Risk Management Program Review, and any associated changes to the Risk Management Program	We successfully supported government direction in transitioning programs from <i>Growing Forward 2</i> to the <i>Canadian Agricultural Partnership</i> . Our delivery processes, materials and branding were updated to align with changes in program policy and design under the <i>Partnership</i> . For details, see Making AgriStability changes under the Canadian Agricultural Partnership .
Work collaboratively with the Ministry in developing and implementing the Management Action Plan to address recommendations from the Auditor General's Value-for-Money Audit	We collaborated with the Ministry and made good progress on our action plan to address audit recommendations. We refined procedures to better identify and manage high-risk files. We also enhanced Board reporting to improve our strategic decision-making and risk mitigation. For details, see Making progress on audit recommendations .
Implement the business plan for renewing Production Insurance business processes and information technology system	We continued to make progress on modernizing our Production Insurance processes and technology. We have been able to streamline some processes using existing technology. The new business processes and supporting information technology system is on track for deployment in 2020 for the 2021 crop year. For details, see Modernizing program delivery .
Continue to maintain gender diversity target of women representing at least 40 per cent of Board appointments	For most of fiscal 2018-19, women made up 50 per cent or more of Agricorp's Board of Directors. By the end of the fiscal year, with some appointments ending and new appointments made, women made up slightly less than 40 per cent of the Board.
Continue to meet the requirements of the Agencies and Appointments Directive and other applicable directives	We met all obligations and timelines under the Agencies and Appointments Directive, demonstrating our commitment to transparency, accountability and fiscal responsibility. For details, see Government directives .

Vice-chair's message

Supporting a strong agricultural sector

Agriculture is risky. Farmers put their hearts, souls and livelihoods on the line every day to produce our food and other commodities that drive Ontario's economy.

From the moment they put the crop in the ground, plant orchards and vineyards, or raise livestock, farmers are never quite sure what the year will bring. Each year brings fresh challenges – such as weather perils, pests, disease, high input costs and unpredictable markets. Farmers must harness all the tools at their disposal to meet these challenges. A well-planned risk management strategy, supported by effective government programs, is one of those tools.

Agricorp is proud to deliver risk management programs to Ontario farmers, and I'm proud to serve as Vice-Chair of Agricorp's Board of Directors. As a former producer, I understand first-hand the kinds of challenges farmers face every day. As a former MPP, I also understand the important role governments play in supporting a strong agricultural sector.

This year, Agricorp worked closely with our government colleagues to understand and support the province's direction and priorities. We complied with legislative changes, including those around hiring and discretionary spending in our ongoing commitment to contain costs. We met processing targets and channelled our resources to deliver new programs to thousands of new customers across the province. We also made great strides in meeting the important strategic goals in our business plan: having efficient and effective operations, being easy to do business with, and being ready to deliver. These goals have served us well for the past three years and they continue to underscore our strategic direction.

We also worked closely with our industry partners this year to ensure we continued to meet industry and producer needs. Many corn producers faced unique challenges this year caused by unprecedented levels of deoxynivalenol (DON) in their crop. Agricorp responded proactively to stay on top of the issue, keep producers and stakeholders informed, implement additional coverage for producers in need, and provide excellent customer service. In light of the complex nature of this issue, which was changing daily, I am very proud of the way we responded to support our customers. This is why we are here.

Customers find value in the programs we deliver and they appreciate Agricorp's service. We regularly hear positive feedback about the quality of our service and the helpfulness of our staff. According to Agricorp's annual customer satisfaction survey, 92 per cent of customers are satisfied or very satisfied with our Production Insurance delivery, and 88 per cent agree that it helps stabilize income. For the Risk Management Program, results have gone up: 84 per cent of customers are satisfied or very satisfied with our delivery and 79 per cent agree that it helps stabilize income. For AgriStability, 71 per cent of customers are satisfied or very satisfied with our delivery and 68 per cent agree that it helps stabilize income. This represents a solid majority of customers for all three programs.

These results would not be possible without a concerted effort from a strong group of dedicated professionals. I would like to thank our former Chair, Murray Porteous, for his leadership and support over the past several years. I would also like to acknowledge our other outgoing Board members for the significant contributions they made during their tenures with Agricorp: Anna Bragg, Carolyn Fuerth, James Rickard and Harry Stoddart.

I value the collaborative relationship Agricorp enjoys with our colleagues in the Ministry, and I thank them for sharing their wisdom and experience. Many thanks to our Board of Directors for their knowledge, expertise and continued support. Finally, I would like to thank Agricorp's Senior Management Team, CEO, Doug LaRose and all Agricorp employees for their dedication and service to Ontario farmers. I look forward to continuing our work together to support a strong agricultural sector.

Original signed by,

Maria Van Bommel

Vice-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 adjudicate individual files professionally and independently. We also 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.

Reporting structure

Agricorp's Board of Directors and staff work collaboratively with 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 and other applicable directives.

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 receive training and, along with Board members, sign an acknowledgement agreeing to abide by this code. The *Oath of Office* and *Oath of Allegiance* for new employees both 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 (AAD) sets out the accountability framework within which Agricorp operates. Each year, Agricorp's Board Chair and CEO attest to meeting AAD requirements and other directives, legislation and policies. Directives fall under 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.

In 2018-19, Agricorp met the obligations and timelines under the AAD and completed attestation with some minor variances. We published our memorandum of understanding and quarterly expenses for the Board and Senior Management Team on our website, demonstrating our commitment to transparency and accountability.

Other 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 strategic planning. The Agricorp by-law provides guidelines for Board governance and documents the roles and responsibilities of the Chair, Board members and committees. These roles and responsibilities include 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 investment policy 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
- Reviews and recommends updates to Board member orientation and ongoing training and development of all Board members
- 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
- Reviews and updates role descriptions for the Chair, Vice-Chair, Board committee Chair, Board members and CEO

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 encourage the right mix of skills, experience and geographical representation.

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.

Appointees receive per diem remuneration, based on their role and level of expertise, as outlined in the Agencies and Appointments Directive. In 2018-19, Agricorp's Board of Directors consisted of the following members:

Murray Porteous

Chair (Norfolk County)

Term: November 18, 2015 – November 17, 2018

2018-19 Remuneration: \$5,912

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 holds a Bachelor of Science degree in agriculture business from the University of Guelph.

Maria Van Bommel

Vice-chair (Middlesex)

Term: August 28, 2013 – June 27, 2020

2018-19 Remuneration: \$3,910

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

Jason Verkaik, Chair

Chair (York Region)

Term: March 21, 2019 – March 20, 2022

2018-19 Remuneration: Not applicable for this reporting period

Jason is owner, operator and president of Carron Farms Ltd., in Holland Marsh. Jason's extensive industry and board experience includes serving as chair and vice-chair of the Ontario Fruit and Vegetable Growers Association and as a director on the Ontario Produce Marketing Association's Board of Directors. Jason is a graduate of the Ivey Business School's Agricultural Leadership Course and holds an Agricultural Business diploma from the University of Guelph's Ridgetown Campus.

Anna Bragg

(Durham Region)

Term: May 27, 2015 – May 26, 2018

2018-19 Remuneration: \$2,971

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.

John Core

(Guelph)

Term: October 22, 2014 – October 21, 2020

2018-19 Remuneration: \$1,714

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 a board member of Guelph General Hospital Foundation 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 degree and Bachelor of Science degree in agriculture from the University of Guelph.

Carolyn Fuerth

(Essex County)

Term: August 25, 2015 – August 24, 2018

2018-19 Remuneration: \$5,510

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.

John Kikkert

(Niagara Region)

Term: February 28, 2019 – February 27, 2022

2018-19 Remuneration: Not applicable for this reporting period

John is a chicken and turkey producer and owner of Parkview Poultry in Smithville. He has held many different roles for the past 10 years on the Christian Farmers Federation of Ontario's executive board, including president and is now serving as a director. His extensive board experience includes serving on the boards of the Chicken Farmers of Ontario, Turkey Farmers of Ontario and the Ontario Farm Animal Council. John was chair of the Ontario Agricultural Hall of Fame and now serves as the organization's past president. He holds a diploma in Agriculture from the University of Guelph.

Sheryl King, CA, MBA, FICB

(Halton Region)

Term: July 17, 2013 – September 13, 2019

2018-19 Remuneration: \$1,205

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)

Term: August 7, 2013 – September 20, 2019

2018-19 Remuneration: \$3,372

Patricia is chief operating officer of Avertus Inc., a neuro-intelligence company. 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.

Derek Mendez

(Perth County)

Term: December 31, 2018 – December 30, 2021

2018-19 Remuneration: Not applicable for this reporting period

Derek has held several management positions in the Container Port and Energy sectors in Trinidad before migrating with his family to Canada in 2010. He is currently the Manager, Operations and Information Technology at Molesworth Farm Supply Ltd. He served as chair and co-chair on multiple community boards in the municipality of North Perth. He is also a board director on a number of agriculture boards including the Animal Nutrition Association of Canada (ANAC) and the Feed Section Committee of the Ontario Agri-Business Association (OABA). Derek holds a Bachelor of Science degree in Management Studies from the University of the West Indies and a master's certificate in Business Analysis from York University.

James Rickard

(Durham Region)

Term: August 25, 2015 – August 24, 2018

2018-19 Remuneration: \$2,184

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.

Harry Stoddart

(Kawartha Lakes)

Term: May 30, 2012 – May 29, 2018

2018-19 Remuneration: \$1,764

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.

Greg Vanden Bosch

(Dundas County)

Term: March 22, 2017 – March 21, 2020

2018-19 Remuneration: \$3,864

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.

Dan Veldman

(Oxford County)

Term: January 31, 2019 – January 30, 2022

2018-19 Remuneration: Not applicable for this reporting period

Dan is president of Veldman Grain Farm Limited and operates his farm business together with his family in Embro, Ontario. He attended Fanshawe College for Farm Business Management. A first-generation egg producer, Dan currently serves as a board member of the Egg Farmers of Ontario and is a former member of the Poultry Insurance Exchange.

CEO's message

Strengthening Ontario agriculture

Just when you think you've seen it all, a unique challenge comes along. This year that challenge was unprecedented levels of deoxynivalenol (DON) in corn.

The late stages of the 2018 growing season saw weather conditions that escalated levels of DON in corn. What started as a very promising season with high yields for corn, turned into a significant issue for many farmers in the fall. Excess rain delayed harvest and aided the growth of fungus in grain corn, meaning elevators were not able to accept affected deliveries.

Farmers were uncertain of their coverage for DON within Production Insurance. Were they eligible for a claim? Should they wait to see if market conditions would improve? DON levels varied significantly across the province, from farm to farm, field to field, and even within fields.

Given the circumstances, our approach was to assess each individual farmer's situation and ensure they had the information they needed about their insurance coverage so they could make informed business decisions. Our issues team assembled daily to monitor the situation and gather the latest information. We issued regular news items and updates providing farmers with detailed information about how their coverage would work and what their options were. We implemented the corn salvage benefit, providing coverage to farmers who were able to market their corn but at greater expense. And we worked with farmers one-on-one to provide caring, personal service at a difficult time. We received more than 3,000 damage reports about DON affecting more than 650,000 acres. For those most severely affected, we responded within 48 hours. You can read more about our response to the DON situation in the [Responding to producers affected by DON](#) section.

Our approach to handling the DON situation was just one of many accomplishments this year. We also started delivery of two new programs to Agricorp, on the heels of delivering four new programs the year before.

In January 2019, we started delivering Ontario's Beef Cattle Financial Protection Program, working closely with the Ministry, the Livestock Financial Protection Board, and the previous delivery agent to ensure a smooth transition of services to Agricorp.

In February 2019, we started delivering the Farm Property Class Tax Rate Program, which involves 170,000 farmland property owners in Ontario. We collaborated with the Ministry, the Municipal Property Assessment Corporation and municipalities to ensure a positive experience for customers as the program transitioned to Agricorp. Agricorp is now the primary point of contact for this program, making it easier for customers who already contact us for their Farm Business Registration, a requirement of the Farm Tax Program.

We made substantial progress on our Business Plan initiatives, including work to modernize our Production Insurance delivery. This involves configuring a new administration system that will allow us to streamline workflows, improve the customer experience with less paper and fewer mailings, and be ready to deliver on government and industry priorities in a timely and efficient fashion. We are on track to implement new business processes on the new system in spring 2020.

We also acted on recommendations from the Auditor General's value-for-money audit of farm support programs, making refinements to our procedures to manage high-risk files and improving the reporting of risks to the Board. We will continue to implement audit recommendations as part of our ongoing work to modernize our program delivery.

Our most important objective, however, is being there for our customers when they need us. I'm proud to report that we maintained our high service standards in a challenging year. We met our file processing targets and received strong scores in our annual customer satisfaction survey – 92 per cent of customers surveyed said we perform the same or better than other companies they do business with. Our employees are equally engaged, with 80 per cent feeling optimistic about the future of Agricorp. I would like to acknowledge our employees for their hard work, engagement and dedication to our customers.

I credit strong governance for our continued success year after year. Many thanks to our outgoing Chair, Murray Porteous, and our Vice-Chair, Maria Van Bommel, for their solid leadership and valued advice. I would like to thank our Board of Directors for their expertise, wisdom and ongoing support. Thanks also to our colleagues at OMAFRA for their professionalism, collaboration and commitment.

Finally, I would like to express my appreciation to Ontario farmers across the province. We value their work. Whatever the coming year may bring, we remain committed to supporting our customers and helping to strengthen Ontario agriculture.

Original signed by,

Doug LaRose

Chief Executive Officer

Core programs and services

Ontario is one of the most diverse agricultural regions in the country, producing more than 200 commodities on 12.3 million acres of agricultural land.¹ Agriculture is a key economic driver in the province, but it's also prone to many risks.

Farmers are adept at using the latest farm management practices and technology to help them minimize risks and maximize production. While farmers can take measures to reduce some of the risks associated with weather, disease and pests, other risks are beyond their control, such as market prices and production costs. As well as affecting crop yields, weather can also affect market supply and demand. To help mitigate all of these risks, Agricorp delivers three core programs: AgriStability, Production Insurance and Ontario's Risk Management Program (RMP).

AgriStability and Production Insurance are part of the suite of national business risk management programs offered under the *Canadian Agricultural Partnership*. RMP is funded solely by the Government of Ontario.

Producers see value in the programs, which is why more than 20,000 farm businesses are enrolled in AgriStability, Production Insurance and RMP. According to our annual customer satisfaction survey, the majority of customers agree that these programs help stabilize their income, 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.

¹ Statistics Canada, Census of Agriculture, 2016 – [Cropland in Ontario grows despite fewer farms](#)

Program summary at a glance

Program	Participation	Payments	Risks covered and benefits
AgriStability	<ul style="list-style-type: none"> • 11,440¹ • \$1.9 billion in reference margin 	\$28.6 million in 2018-19 (for multiple program years)	Unexpected large income declines² <ul style="list-style-type: none"> • Protects eligible farm income as a whole instead of one commodity at a time • Affordable (\$315 for every \$100,000 of reference margin)
Production Insurance	<ul style="list-style-type: none"> • 14,006 • \$3.4 billion in liability 	\$116.7 million in 2018-19 (for multiple program years)	Low yields and production loss caused by insured perils <ul style="list-style-type: none"> • Coverage based on a guaranteed level of production • Choice of plans and coverage levels for more than 100 commodities
Risk Management Program	<ul style="list-style-type: none"> • Grains and Oilseeds – 5,475 • Livestock – 1,772 • SDRM – 1,913 	\$89.9 million in 2018-19 (for multiple program years)	Fluctuating commodity prices and general farm losses or expenses <ul style="list-style-type: none"> • Covers losses caused by fluctuating commodity prices and production costs • Includes sector-specific plans for cattle, hogs, sheep, veal, grains and oilseeds, and edible horticulture

¹ Participation in AgriStability refers to the number of customers who secure coverage by paying a fee.

² Small income declines are covered by AgriInvest, which is delivered by Agriculture and Agri-Food Canada.

AgriStability

AgriStability covers large declines in income caused by adverse market conditions, production losses or increased production costs. If a producer's margin falls below 70 per cent of their recent average, AgriStability helps to offset the difference. AgriStability is funded by federal and provincial governments and producer fees. AgriStability claims are typically processed in the following calendar year after the tax year ends. In the 2018-19 fiscal year, Agricorp is mainly processing AgriStability files for the 2017 program year and a small number of interim payments for the 2018 program year.

AgriStability highlights

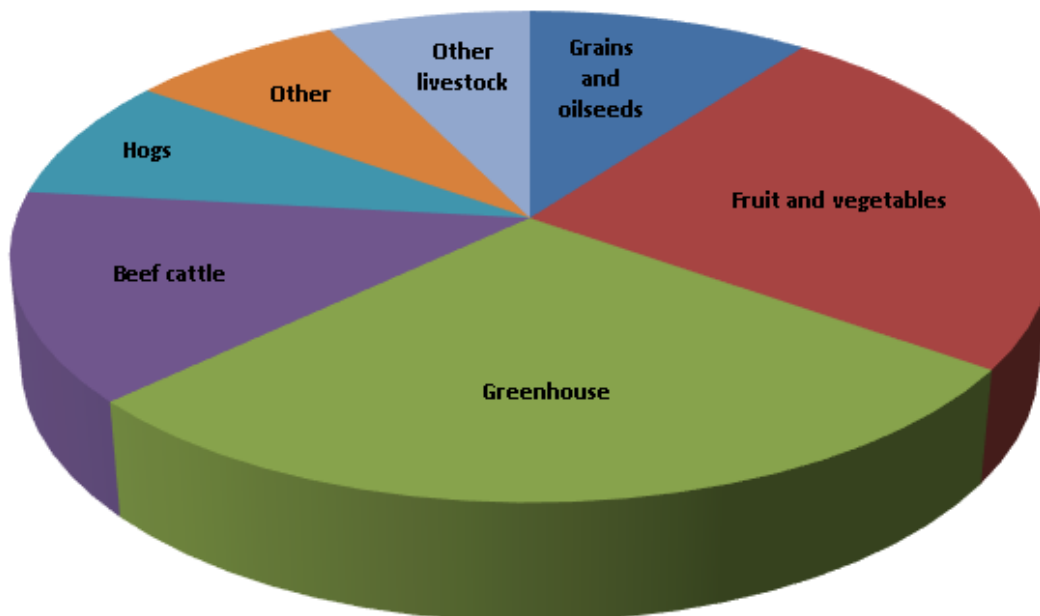
Greenhouse producers experienced income declines due to increased costs and lower market returns, triggering \$6.5 million in AgriStability payments. This was the largest share of AgriStability payments for 2017. Fruit and vegetable producers experienced hail, freezing temperatures, drought and excessive rainfall, which affected program margins for the 2017 program year. Fruit and vegetable producers received \$5.6 million in AgriStability payments. Grain and oilseed producers and livestock producers also saw margin declines caused by a number of factors, triggering AgriStability payments for these sectors as well.

AgriStability by the numbers

- 11,440 participants in the 2017 program year
- **\$1.9 billion** in reference margin (farming income less expenses)
- **\$23 million** in 2017 program payments
- **\$726,000** in 2018 interim payments for producers in financial distress
- 71% of customers are satisfied or very satisfied with the delivery of AgriStability
- 68% of customers agree that it stabilizes farm income

2017 AgriStability payments by sector

Sector	Payments
Greenhouse	\$6.5 million
Fruit and vegetables	\$5.6 million
Beef cattle	\$3.2 million
Grains and oilseeds	\$2.3 million
Hogs	\$1.9 million
Other	\$1.8 million
Other livestock	\$1.7 million
Total	\$23 million



Production Insurance

Production Insurance covers yield reductions and production losses caused by adverse weather, disease, wildlife and insect infestation. Plans are available for more than 100 commodities. For most plans, producers receive a payment at harvest if an insured peril causes their yield to fall below their guaranteed production. Production Insurance is funded by federal and provincial governments and producer premiums.

Production Insurance highlights

The 2018 crop season was unpredictable and difficult for many farmers across Ontario. In the spring, many farmers had a late start to planting, as much of Ontario faced snow and cooler temperatures right into April. Despite the later start, crops were planted into good soil conditions in May and June. This, combined with strong overwintering for winter wheat, limited the need for farmers to reseed crops. As a result, reseed claims were \$8.6 million, well below the previous five-year average of \$11.4 million.

The growing season saw prolonged periods of both dry and wet weather across the province. This resulted in forage producers receiving \$3.4 million in insufficient rainfall payments and nearly \$1 million in excess rainfall payments under the forage rainfall plan.

Wet weather towards the end of the growing season and into harvest led to increased levels of deoxynivalenol (DON) in corn, mainly in western and southwestern Ontario. While DON was present, corn yields were high, reducing potential claim payments. By March 31, 2019, Agricorp issued a total of \$51.2 million in DON-related payments, covering both production loss and salvage benefits. The majority of farmers have submitted final yields and most claims have been settled. There are a few outstanding claims for corn as producers continue to determine the marketability of their crops.

The overall claim payment rate for 2018 was 3.2 per cent of insured liability, slightly lower than the previous five-year average of 3.4 per cent and below the long-term historic average of 5.6 per cent.

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 premium rate setting that is actuarially sound, 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 reliable 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.

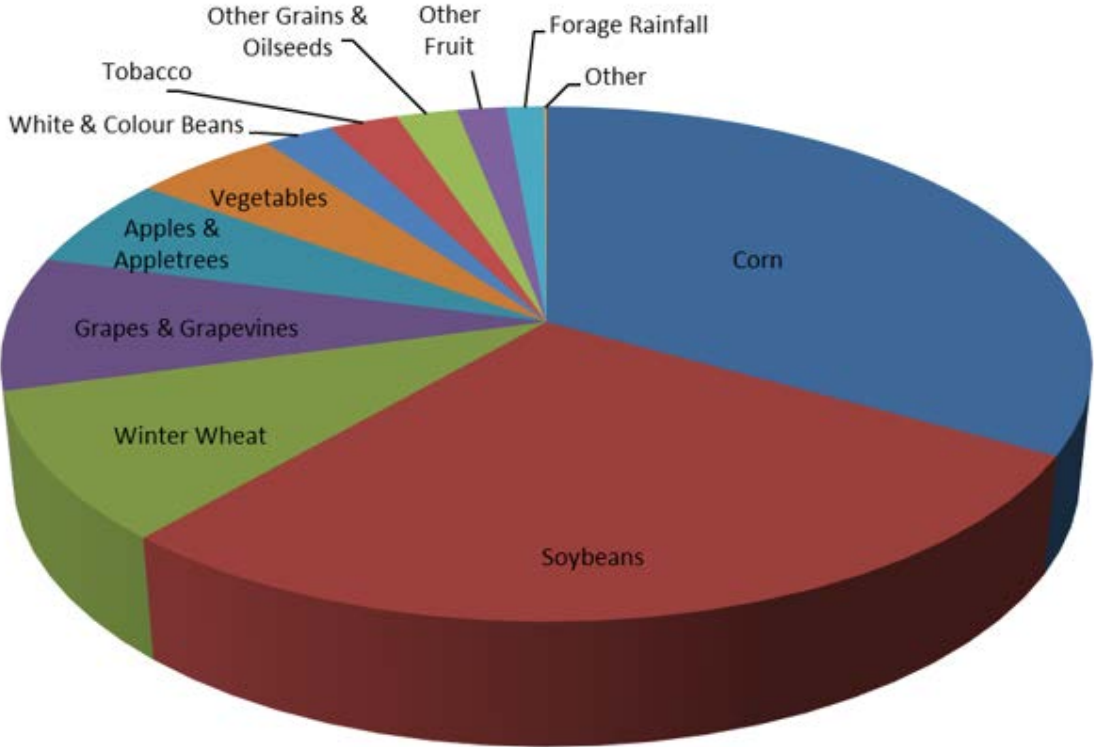
On March 31, 2019, our Production Insurance Fund balance was \$932.7 million. This balance plus premiums paid in 2019 will cover an estimated liability of \$3.4 billion. As this balance exceeds our target reserve, producers and government received the added benefit of reduced premiums. In 2018, all plan premiums received a discount of 17.9 per cent.

Production Insurance by the numbers

- **14,006** participants in the 2018 program
- **5.1 million** acres and **\$3.4 billion** in liability
- **\$108.9 million** in total claims for the 2018 program year, including:
 - **\$55.8 million** in production claims
 - **\$1.0 million** for unseeded acreage benefits
 - **\$8.6 million** for reseeds
 - **\$43.5 million** for other
- **92%** of customers are satisfied or very satisfied with the delivery of Production Insurance
- **88%** of customers agree that it stabilizes farm income

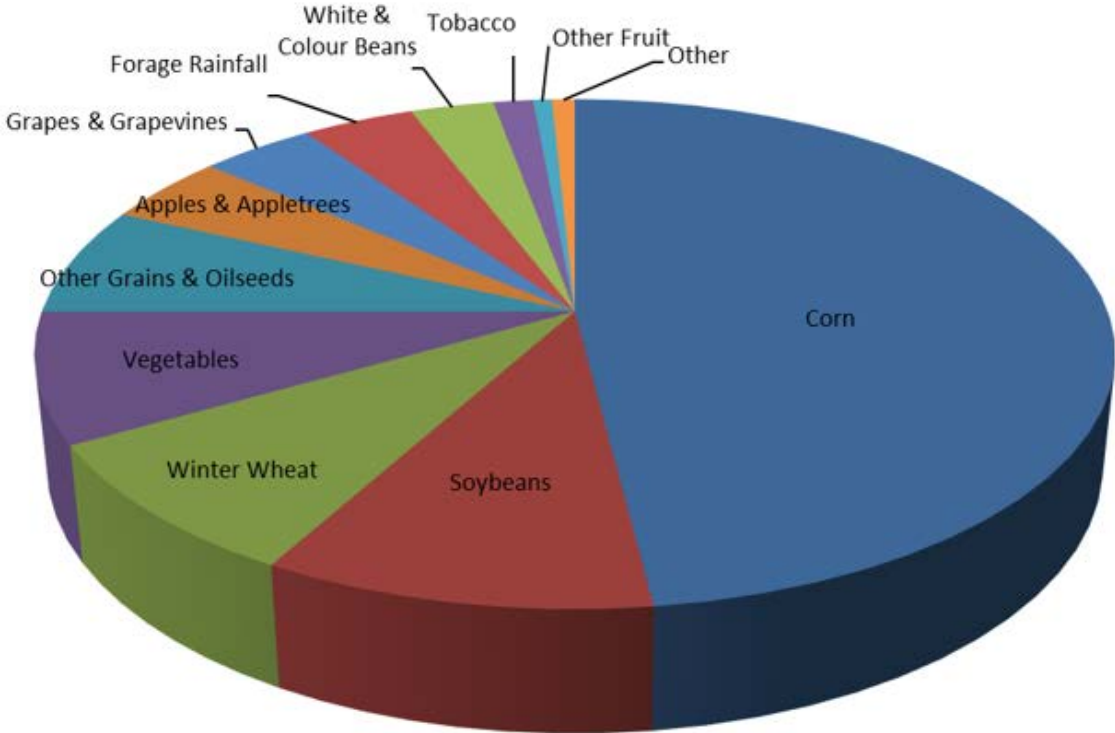
2018 Production Insurance liability by crop

Crop	Liability
Corn	\$1,119.6 million
Soybeans	\$950.9 million
Winter wheat	\$315.7 million
Grapes and grapevines	\$284.3 million
Apples and apple trees	\$193.7 million
Vegetables	\$170.5 million
White and coloured beans	\$81.2 million
Tobacco	\$81.2 million
Other grains and oilseeds	\$71.2 million
Other fruit	\$57.3 million
Forage rainfall	\$44.7 million
Other	\$2.8 million
Total	\$3.4 billion



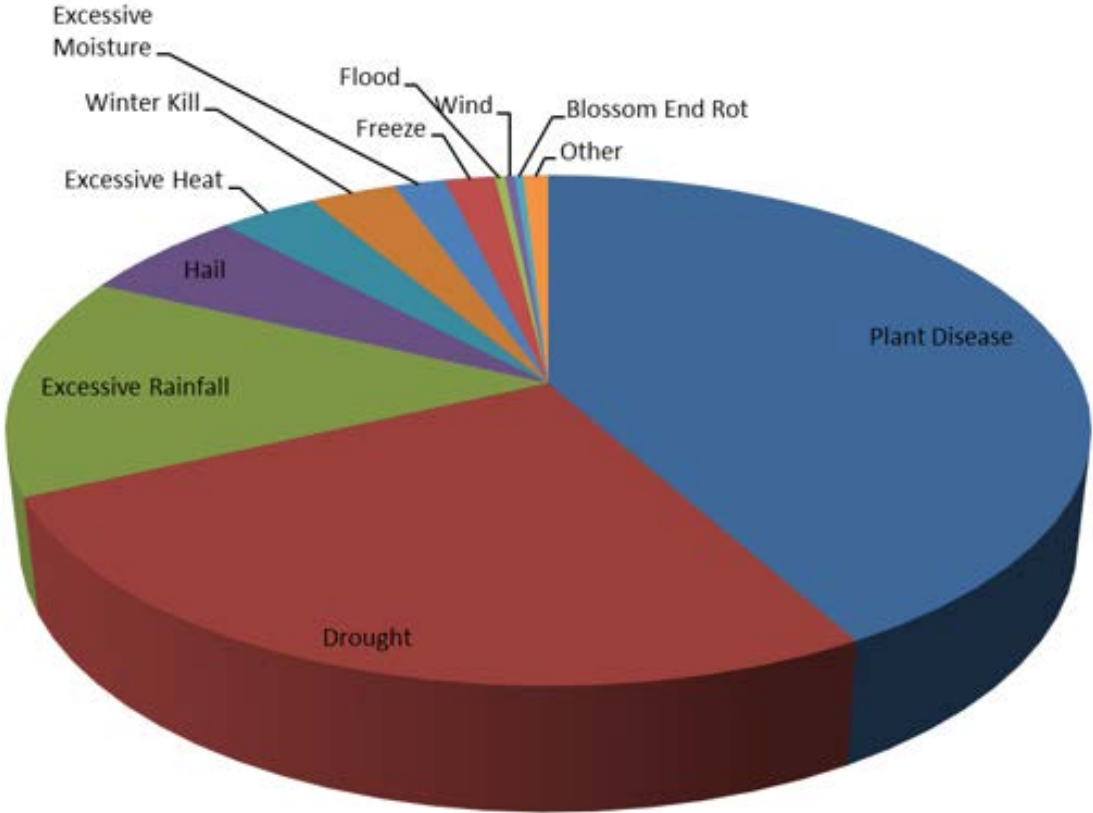
2018 Production Insurance claims by crop

Crop	Claim amount
Corn	\$52.3 million
Soybeans	\$11.0 million
Winter wheat	\$9.4 million
Vegetables	\$9.0 million
Other grains and oilseeds	\$7.4 million
Apples and apple trees	\$4.8 million
Grapes and grapevines	\$4.4 million
Forage rainfall	\$4.3 million
White and coloured beans	\$3.2 million
Tobacco	\$1.5 million
Other	\$0.9 million
Other fruit	\$0.7 million
Total	\$108.9 million



2018 Production Insurance claims by peril

Peril	Claim amount
Plant disease	\$45.7 million
Drought, excessive heat	\$32.1 million
Excessive rainfall, moisture, flood	\$17.7 million
Hail	\$6.4 million
Freeze, winter kill	\$5.3 million
Other	\$1.3 million
Wind	\$0.4 million
Total	\$108.9 million



Risk Management Program

The Risk Management Program (RMP) covers losses caused by fluctuating commodity prices and production costs. The program is available to Ontario producers of grains and oilseeds, livestock, and edible horticulture. For RMP: Grains and Oilseeds and RMP for livestock, payments are made if the average market price for a commodity falls below its support level. For the self-directed risk management (SDRM) plan for edible horticulture, producers can deposit a percentage of their allowable net sales into an SDRM account, and the provincial government contributes to the account.

RMP is funded solely by the Government of Ontario. Funding covers both program payments and administrative costs. Agricorp works hard to keep administrative costs down, so 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. For more information, see the [Farmer's Risk Management Premium Fund](#) section.

RMP highlights

In 2018, market prices for many commodities continued to trend downward, resulting in RMP payments for the cattle, hog, sheep and veal sectors. Low commodity prices for 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.

RMP by the numbers

- **9,160** endorsements in 2018
- **\$89.9 million** in program payments paid in 2018-19 under all six plans (covers multiple program years):
 - **\$35.2 million** in livestock payments
 - **\$33.2 million** in grains and oilseeds payments
 - **\$21.5 million** in government funds deposited into SDRM accounts
- **84%** of customers are satisfied or very satisfied with the delivery of RMP
- **79%** of customers agree that it stabilizes farm income

Appeals processes

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 confirm the file was adjudicated in accordance with program rules and consistently with other files. If the customer is not satisfied with the results of that internal review, they can request a review by the Business Risk Management Review Committee (BRMRC), an advisory agency of the provincial government that is separate from Agricorp, with members appointed by the Minister. The BRMRC hears requests for review and makes non-binding recommendations to Agricorp. As the program administrator, Agricorp is accountable for applying all program rules consistently and for all decisions related to these programs. As such, Agricorp may accept the BRMRC non-binding recommendations in full or in part, or may decline to follow them. Agricorp processes 20,000 AgriStability and RMP files each year. In 2018-19, Agricorp received one customer request for a BRMRC review.

Production Insurance

Customers who disagree with an Agricorp decision about their Production Insurance claim or eligibility for coverage can contact us to request an internal review. If the results of that review are unsatisfactory, customers can appeal to the Agriculture, Food & Rural Affairs Appeal Tribunal, which is an adjudicative tribunal of the provincial government. This independent body makes final, binding decisions on disputes between Agricorp and Production Insurance customers. In 2018-19, Agricorp processed more than 8,000 claims and none were appealed.

Other programs and services

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

Edible Horticulture Support Program

The Edible Horticulture Support Program provides Ontario producers of edible horticulture products with financial support to help them adjust to new and challenging cost pressures in the small-business environment. Payments are based on net sales of edible horticulture. The Edible Horticulture Support Program was funded by the Government of Ontario for the 2018 program year.

Producers in SDRM: Edible Horticulture were automatically enrolled, and other horticultural crop producers could apply by March 2018. For 2018, we issued \$30 million in payments to more than 2,400 edible horticulture producers.

Farm Business Registration

Under the Farm Business Registration (FBR) program, Ontario producers who gross \$7,000 or more in farm income annually are required to register their farm businesses. By registering, farm businesses are eligible for other government programs, such as the Farm Property Class Tax Rate Program and the Ontario Wildlife Damage Compensation Program. Registered farm businesses can also obtain membership in one of three accredited farm organizations (AFOs): the Christian Farmers Federation of Ontario, the National Farmers Union – Ontario, or the Ontario Federation of Agriculture. Agricorp delivers FBR on behalf of OMAFRA. The program is funded by the Government of Ontario and AFOs.

In 2018, more than 44,000 farm businesses registered.

Farm Property Class Tax Rate Program

The Farm Property Class Tax Rate Program, also known as the “Farm Tax Program,” is one of the ways the province of Ontario supports agriculture. Through the program, farmland owners receive a reduced property tax rate. Eligible farmland is taxed at no more than 25 per cent of the municipality’s residential property tax rate. Agricorp, the Municipal Property Assessment Corporation (MPAC) and municipalities work together to administer the Farm Tax Program. Agricorp is responsible for the application process and confirms whether farmland owners are eligible for the program. MPAC assesses the property as farmland and determines its value. The municipality applies the farm property class tax rate to the property tax bill. The administrative costs of the Farm Tax Program are funded by the provincial government.

Agricorp started delivering the Farm Tax Program in February 2019. As of March 31, 2019, 170,000 properties have been assessed as eligible to participate in the program. Agricorp expects to receive 20,000 program applications each year due to farmland purchases, changes in ownership or business structure, and audits.

Provincial Premises Registry

The Provincial Premises Registry (PPR) allows Ontario producers to register parcels of land that are associated with agri-food activities, such as crop and livestock production and food processing. The registry supports traceability, enabling governments and industry to respond swiftly to incidents that could affect the agri-food sector, such as weather disasters, animal or plant disease outbreaks, or contaminated food. It also supports emergency preparedness and rapid identification of agri-food locations. Agricorp operates the PPR on behalf of OMAFRA. The registry is funded by the Government of Ontario.

As of March 31, 2019, there were 50,000 registrations.

Grain Financial Protection Program

The Grain Financial Protection Program (GFPP) covers financial losses if licensed dealers and elevators do not meet their payment or storage obligations to producers or owners of grain corn, soybeans, canola and wheat. Producers or owners may submit a claim to the Grain Financial Protection Board to cover a portion of their losses. Agricorp is responsible for the licensing and inspection components of GFPP. The licensing and inspection administrative costs are funded by the province, by producers through their checkoff fees, and by dealers and elevator operators through their licensing fees.

In 2018-19, Agricorp licensed 245 dealers and 334 elevator operators across Ontario. The program covered \$3.1 billion in grain sales.

Beef Cattle Financial Protection Program

Ontario's Beef Cattle Financial Protection Program covers financial losses if licensed dealers do not meet their payment obligations to Ontario beef cattle sellers. Cattle sellers may submit a claim to the Livestock Financial Protection Board (LFPB) to cover a portion of their losses. Agricorp supports OMAFRA in licensing dealers and collects the remittance fees. OMAFRA manages program policy, licensing decisions, investigations and enforcement. The LFPB manages the compensation fund and determines if a claim should be paid. The licensing and administrative costs are funded by the province, by cattle sellers through their remittance fees, and by dealers through their licensing fees.

Delivery of this program started transitioning from Beef Inc. to Agricorp in January 2019. In 2018-19, there were 160 licensed dealers in Ontario.

Marketing and Vineyard Improvement Program

The Marketing and Vineyard Improvement Program (MVIP) provides Ontario grape growers with financial support to help with the cost of improvements to their wine grape production. Payments are based on improvement expenses. MVIP is funded by the Government of Ontario and runs for five years, from 2015-16 to 2019-20.

In 2018-19, the program's fourth year, the program supported 59 improvement projects totalling \$1.1 million.

Vintners Quality Alliance Wine Support Program

The Vintners Quality Alliance (VQA) Wine Support Program provides Ontario wineries with financial support to increase competitiveness, innovation and promotion of Ontario VQA wines. Payments are based on sales of VQA table wine. The VQA Wine Support Program is funded by the Government of Ontario and runs for five years, from 2015-16 to 2019-20.

In 2018-19, the program's fourth year, Agricorp issued program payments of \$7.5 million to 97 Ontario wineries.

Small Cidery Program

The Small Cidery Program provides eligible Ontario cideries with financial support to help grow their operations. Payments are based on sales of alcoholic cider. The program is funded by the Government of Ontario and runs for three years, from 2017-18 to 2019-20.

In 2018-19, Agricorp issued program payments of almost \$1.8 million to 42 cideries.

Small Distillery Program

The Small Distillery Program provides eligible Ontario distilleries with financial support to help grow their operations. Payments are based on sales of spirits. The program is funded by the Government of Ontario and runs for three years, from 2017-18 to 2019-20.

In 2018-19, Agricorp issued program payments of \$0.8 million to 24 distilleries.

Services to industry

Leveraging our people, systems, data and infrastructure, Agricorn 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

In partnership with the Grape Growers of Ontario, Ontario Apple Growers and the Ontario Tender Fruit Growers, Agricorn uses web-based data management services (DMS) and GPS technology to accurately measure and map vineyards and orchards. DMS captures agronomic information for grapes, apples and tender fruit, including plant inventory, variety, age, yield and quality. Agricorn uses this information to support delivery of programs to the fruit industry. Industry leverages this information to effectively implement their own initiatives, including research, marketing, food safety and production management.

The system has data for 40,200 acres of grapes and tree fruits. Of these acres, five per cent are updated annually as orchards and vineyards are replanted.

Financial, secretariat and other services

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

Farmer's Risk Management Premium Fund

We provide 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 when payments are made: Grain Farmers of Ontario, Beef Farmers of Ontario, Ontario Pork, Ontario Sheep Marketing Agency and Veal Farmers of Ontario.

In 2018-19, Agricorn processed 6,555 payments totalling \$24.6 million from the premium fund.

Grain Financial Protection Board

We provide financial and secretariat services to the Grain Financial Protection Board (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. Agricorn supports claim adjudication and manages checkoff fees through reporting, investment and annual audit support. To support the GFPB in their administration of the grain funds, we coordinate and support board meetings; facilitate board appointments; develop process, policy and issues documents; and develop and coordinate all board governance materials.

Livestock Financial Protection Board

We provide governance, secretariat and financial services to the Livestock Financial Protection Board (LFPB), a trust agency that manages the compensation fund for livestock sellers. Their mandate is to administer the fund, adjudicate claims, and grant or refuse claim payments. Board members are appointed by the Minister of Agriculture, Food and Rural Affairs. Agricorp supports the LFPB in collecting remittance fees on beef cattle sales, administering the fund and determining if claimants are eligible for payment.

Dairy Farmers of Ontario

Under contract with the Dairy Farmers of Ontario, Agricorp helps protect the financial interests of milk producers by analyzing the quarterly and annual financial statements of 55 dairy processors that own 72 processing plants in Ontario. Dairy processors purchase \$2.2 billion worth of milk from Ontario producers annually.

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 ALUS Canada for the Ontario Alternative Land Use Services program, which compensates producers for removing environmentally sensitive land from agricultural production. In 2018-19, we validated 168 producer projects.

We also measure, map and provide acreage information for various commodities, such as ginseng, to support agricultural research, understanding and innovation. In 2018, we extended our verification services to the Berry Growers of Ontario (BGO). Under this agreement, we will verify an estimated 3,000 acres of strawberries, blueberries and raspberries for about 200 growers over a three-year period. In 2018-19, our first year of the agreement, we verified 300 acres for 20 growers. This information will be used by the BGO to collect fees, gain market intelligence to develop strategic marketing plans, and identify research and development opportunities.

Management discussion and analysis

The 2018 crop year was a rollercoaster of weather conditions – from a cool, wet spring that delayed planting, to a hot, dry summer, followed by a wet fall that affected harvest. The weather also varied across the province, with pockets of hot, dry weather in some areas while others were hot and humid. The weather variability led to a wide range of crop conditions, stressing the importance of risk management programs.

The number one story this year was unprecedented levels of deoxynivalenol (DON) in corn, resulting in unique challenges for producers, OMAFRA, Agricorp and the grain industry as a whole as producers had the added challenge of finding markets for their corn that had varying degrees of mycotoxins.

At Agricorp, we relied on our industry knowledge, strong customer service, collaboration with industry and OMAFRA, and effective communications outreach to keep producers and other stakeholders informed about the DON situation and program coverage options on an ongoing basis. Responding to situations like this and helping customers when they need us most is what we do and what we plan for year after year.

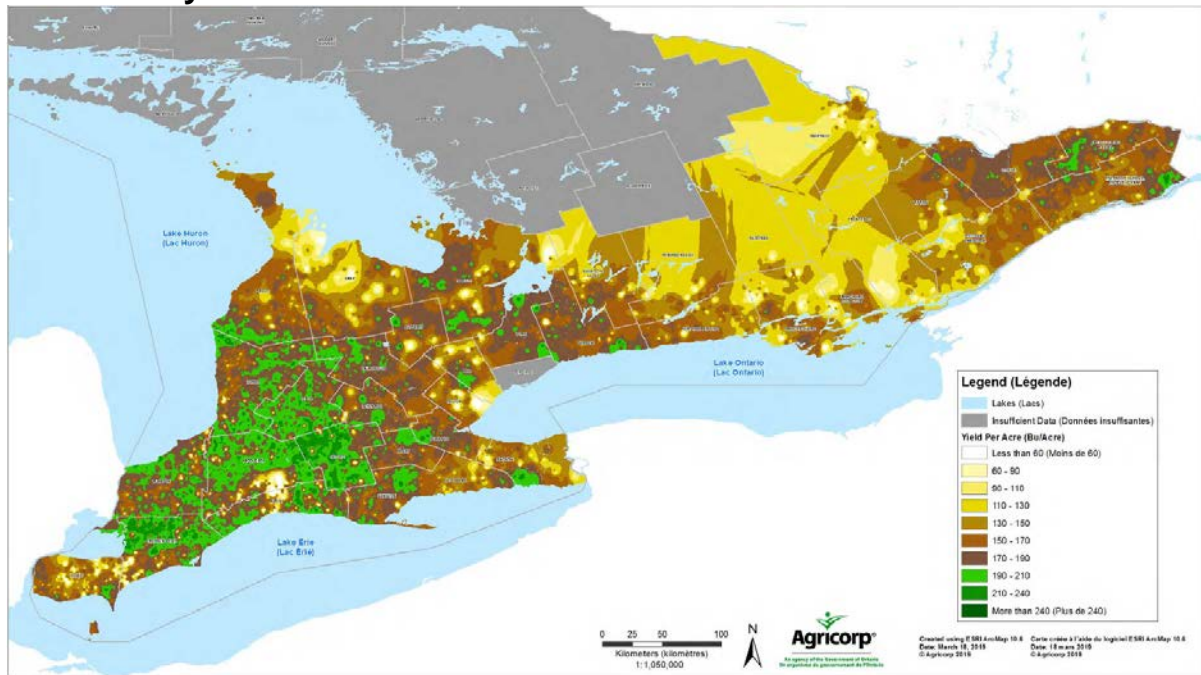
2018 Harvest at a glance

This year, the province experienced prolonged periods of both dry and wet weather throughout the planting, growing and harvest periods. Across the province, average rainfall was higher than usual in the fall, delaying harvest significantly in some areas. For example:

- October rainfall was 85 to 150 per cent of the average province-wide
- November rainfall was 115 to 150 per cent of the average province-wide, and as high as 150 to 200 per cent of the average in Essex, Chatham-Kent and South Lambton

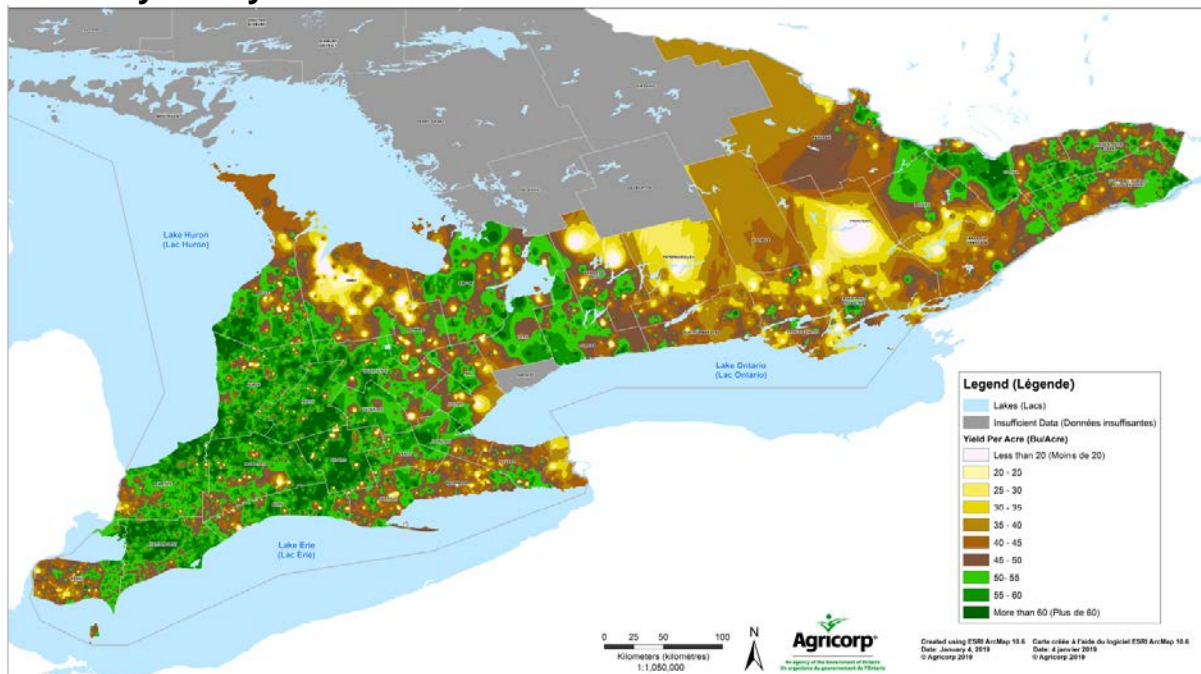
Despite the weather challenges, overall yields were average to high for the three major crops in Ontario: corn, soybeans and winter wheat. Soybeans saw record yields across Ontario, at almost 17 per cent above the Production Insurance 10-year average. A dry June and July in most areas, followed by rain in August, contributed to these record high yields.

2018 Corn yields



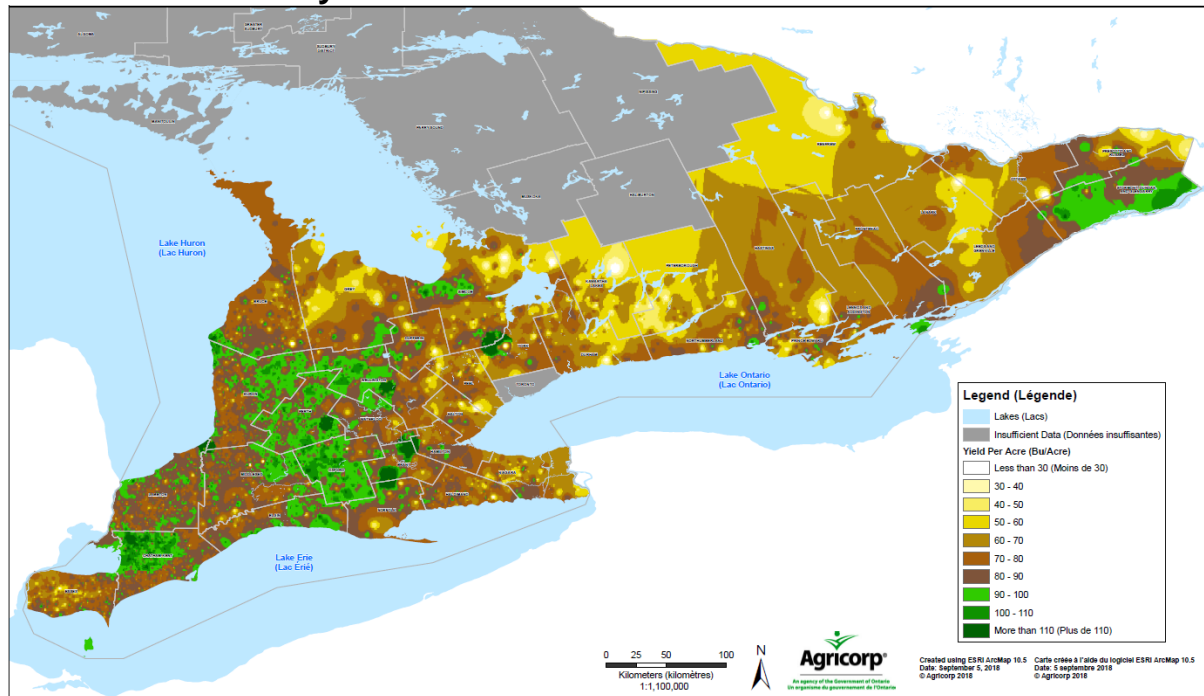
2018 corn yields were an average of 183 bushels per acre, seven per cent higher than the 10-year average of 170 bushels per acre (based on 95 per cent of customers who reported yields as of March 18, 2019).

2018 Soybean yields



2018 soybean yields reached an average of 53 bushels per acre, almost 18 per cent higher than the 10-year average of 45 bushels per acre.

2018 Winter wheat yields



2018 winter wheat yields were between 60 and 85 bushels per acre, in line with the historical average of 75 bushels per acre.

Strong business planning

Strong agriculture requires strong business planning to ensure we are ready to provide customers with the service and support they need to grow their farm businesses.

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 business plan articulates our strategic direction and priorities for a three-year period. It includes clear performance metrics for our daily operations that align 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 published on our website. We report on our progress to OMAFRA and industry stakeholders throughout the year. The Board also submits an annual report to the Minister. Once the Minister approves the report, it is tabled in the Ontario Legislature and then published on agricorp.com. Timely and transparent planning and reporting ensure all stakeholders are well informed about how we are delivering on our commitments.

As part of our business plan, we must operate within a fixed budget, based on funding from the provincial and federal governments. Business planning is based on careful fiscal planning and management.

Financial analysis for 2018-19

The following table shows our administrative expenses by program along with the variance between our budget and actual spending. Budget and actual costs are presented on a cash basis.

As shown, our overall administrative expenses were under budget by \$1.6 million. Our actual expenses for delivering AgriStability were under budget as there was lower participation, claim severity and volume. Production Insurance administrative expenses were over budget and include additional efforts in response to the issue of high DON levels in corn.

Actual spending versus budget – variance table (in thousands of dollars)			
Administrative expenses by program	Actual	Budget	Variance under (over)
AgriStability	10,131	12,330	2,199
Production Insurance	21,445	20,479	(966)
Risk Management Program	5,158	5,500	342
Other recurring programs and services	3,075	3,118	43
Other non-recurring programs	365	351	(14)
Total expenses	\$40,174	\$41,778	\$1,604
Administrative expenses funding			
Federal base funding	18,946	19,685	739
Ontario base funding	13,183	13,828	645
Ontario – Risk Management Program	5,158	5,500	342
Ontario – other recurring programs and services*	1,677	1,609	(68)
Ontario – other non-recurring programs	365	351	(14)
Other fee revenue	845	805	(40)
Total funding	\$40,174	\$41,778	\$1,604
Funding surplus (deficit)	0	0	0
Strategic Investments			
Agricorp Insurance Modernization	4,708	4,613	(95)

*New programs were added during the year.

2018-21 Business plan

Agricorp's 2018-21 business plan focused on three goals:

- Agricorp has efficient and effective operations
- Agricorp is easy to do business with
- Agricorp is ready to deliver

Agricorp has made steady progress on all three goals and has accomplished the following planned initiatives in the business plan:

- Ongoing work to configure and integrate business processes and an IT system to modernize delivery of the Production Insurance program
- Implement changes to AgriStability based on the *Canadian Agricultural Partnership*
- Implement recommendations from the Auditor General of Ontario's value-for-money audit of farm support programs
- Deliver the Edible Horticulture Support Program and Provincial Premises Registry
- Begin delivery of the Farm Property Class Tax Rate Program and Beef Cattle Financial Protection Program
- Implement streamlined processes for compensation, benefits and performance management
- Implement business processes and IT system for human resource information management

The following initiatives were put on hold due to a number of factors that required us to shift resources to other priorities based on available funding. This included emerging issues and unplanned work, such as the DON situation, and delivery of the Beef Financial Protection Program.

- Design updates to agricorp.com
- A plan to increase the use of direct deposit for program payments to customers
- A complete end-to-end review of the Farm Business Registration program
- Enhancement of records management structure and policies

In addition, we were required to prioritize and limit some product enhancements requested by commodity groups. These initiatives, while not immediately critical, will help ensure we can continue to provide future efficiencies, product and service enhancements, and quick response to urgent government and industry needs. The following pages show our progress against our three strategic goals.

Efficient and effective operations

Agricorp takes pride in our ability to operate efficiently and effectively. Continuous improvement has always been a cornerstone for us. We regularly find ways to improve and streamline processes and reduce costs. Responding to customer needs with fast, high-quality service, helpful information and timely program payments is one of our most important objectives.

Providing timely quality service

Our primary goal is to provide customers with timely quality service when they need us. To do this, we need to be ready to support our customers when they need it most. Every year, we prepare for a potentially high claims season. In 2018, after planting delays affected some growers, we began preparing for potential claims from a hot, dry summer. Throughout the summer, as hot humid weather caused the growth of fungus in corn, we quickly changed course to help corn producers affected by DON and by wet fall weather that caused harvest delays.

Whatever the issue, we are able to adjust our priorities to address the issue, monitor trends, and develop action plans that enable us to respond quickly. We published current crop information and regular updates on our website and responded quickly to producer phone calls and damage reports. We worked proactively with the Ministry and industry groups to keep all stakeholders informed about the ongoing DON situation and to ensure we were meeting producer needs as quickly as possible.

Highlights:

In 2018-19, we met our file processing targets by planning and shifting resources to respond to the issue of unusually high levels of DON in corn.

We maintained strong customer service ratings. Our call centre answered 90 per cent of 92,000 incoming calls in 20 seconds or less.

78 per cent of customers rated our call centre as above average or outstanding.

81 per cent of customers rated our field staff as above average or outstanding.

Responding to producers affected by DON

The 2018 DON issue in Ontario was complex and unprecedented. The hot humid weather in some areas resulted in high levels of deoxynivalenol (DON) in corn. The situation was exacerbated by the wet fall that delayed harvest. DON was a severe problem in some of the most productive corn producing areas of the province, particularly Elgin, Middlesex, Chatham-Kent, Essex, Lambton, Huron, Oxford and Perth.

Ontario corn producers and industry as a whole faced uncertainty as DON left questions about the marketability of the crop. The severity of the disease was highly variable, from field to field, load to load, and often within loads taken to market. The variability added to the complexity of buying, selling and managing the crop. The situation and information needs of our customers and industry were changing almost daily.

To add to the complexity, corn had very high yields in 2018, about seven per cent higher than the 10-year average. Because Production Insurance is a yield-based program and yields were high, many insured farmers experienced high yields that offset their production losses, reducing the likelihood of a claim.

In 2018, Agricorp insured 8,600 corn producers with 1.6 million acres of corn and \$1.1 billion in liability, about one third of our total liability for Production Insurance. We received more than 3,100 damage reports affecting more than 680,000 acres. Ultimately, we paid \$51.2 million for DON in both production and salvage claims. The claim payments alone do not begin to describe the amount of effort that went into supporting customers and other stakeholders throughout the DON situation. Our response was quick and thorough.

Highlights:

We quickly mobilized resources to ensure customers got the service they needed when they needed it, and we monitored the situation daily.

We worked with producers one-on-one to understand their situation and explain their coverage options, responding to damage reports within two days.

We worked closely with industry and government to understand any changes in the market, the condition of the crop, and the best way to keep customers informed.

We attended round-table discussions with the Ministry and industry stakeholders, as well as Grain Farmers of Ontario delegate meetings and regional meetings.

To keep customers and stakeholders informed about the changing situation, we published 10 articles on our website, from October 2018 to January 2019, that were linked to a clearly visible DON banner on the home page and we published a detailed information sheet.

We informed our customers how Production Insurance and, in particular, the corn salvage benefit would work on their farm. This benefit allowed customers to access market opportunities that developed later in the season by offsetting the additional costs of drying, testing, storing and transporting the corn.

We collaborated with the provincial government and industry on how to enhance the corn salvage benefit for 2019 to more accurately reflect the extra costs associated with harvesting, handling and marketing corn damaged by DON. The enhanced benefit offers tiered coverage for different levels of DON and has been extended to include organic corn.

We received positive feedback from the Ministry and from farmers, who appreciated our collaborative approach with industry stakeholders, our commitment to work one-on-one with customers, and our efforts to provide regular information in a timely manner. As of year-end, some customers still had corn to harvest and corn with high DON levels to market. As these customers may be eligible for a claim, some claims remain outstanding as we continue to guide customers through their options and the claim process.

Modernizing program delivery

We continually look for operational improvements by streamlining or automating processes, reducing paperwork and enhancing our systems. In 2018-19, we continued the process and system development work that will allow us to modernize Production Insurance delivery. The new system, scheduled to go into production in 2020, will allow us to provide more automation and enhanced business capabilities, which will reduce customer mailings through smaller page counts and more paperless transactions. At the same time, we are simplifying the *Contract of Insurance* and other Production Insurance documents to make them more consistent and easier to understand.

Highlights:

We will reduce the number of renewal templates from 14 to three, meaning fewer versions to maintain and update. Customers will receive only the documents that apply to them, reducing the page count and making customer communications more relevant.

More Production Insurance forms will be available online, reducing print and mailing costs.

Optimizing resources

Agricorp consistently demonstrates prudent fiscal management, providing effective program delivery within fixed funding envelopes. Finding efficiencies in our day-to-day operations is an effective way to optimize our resources and save employees time for the important work of supporting producers. We have implemented strategies to operate within budget, including more streamlined processes, better use of technology and other cost-saving measures.

In 2018-19, we managed vacancies carefully, hiring only when there was an urgent and proven need, such as delivering a new program or adding necessary technical resources. We also closely managed spending in compliance with government direction around fiscal restraint. By optimizing resources and finding efficiencies, we were able to meet our customer service levels and processing targets.

Ensuring the health and well-being of employees pays dividends in employee satisfaction and productivity. In 2018-19, we updated our Human Resources policies to comply with legislative changes to the [Employment Standards Act](#). We also enhanced our performance management processes to be more efficient and forward-looking, ensuring employees are developing and operating at peak efficiency.

In addition, we regularly assess and enhance our IT security measures to ensure our systems and data are safe, secure and operational with no disruptions. All employees complete annual IT security training to safeguard our IT systems, equipment and customer information.

Highlights:

We implemented a new human resources information system to provide more efficient time tracking and payroll processing functions.

We implemented new cheque printing software, allowing us to print standardized cheques for all programs. Customers no longer receive different payment statements, cheques and envelopes for different programs, enabling us to eliminate manual processes, enhance our customer service and improve efficiency.

We introduced new password protocols to strengthen our IT security measures.

Out of the 78 per cent of employees who completed the employee engagement survey, 73 per cent responded favourably, with strong scores for working conditions and resources, management, and communications.

Making progress on audit recommendations

Agricorp has completed most of the work to address the Auditor General of Ontario's recommendations from the 2017 value-for-money audit of farm support programs. Many of the audit recommendations were aligned with initiatives and changes Agricorp had already been working on. We will continue to review our processes and implement any outstanding audit recommendations with a clear focus on continuous improvement.

Highlights:

In terms of program delivery, we have refined our desk-level procedures with an increased focus on identifying high-risk applications and enhanced handling of risk-based claims.

We improved our risk management reporting to the Board, ensuring that reports to the Finance and Audit Committee (FAC) contain comprehensive information about risk issues, trends and themes identified through the program audit process.

Our reports to FAC now include risk-based planning around technology renewal to assist with strategic decision-making and risk mitigation for the organization.

Easy to do business with

As a customer-focused organization, it's important to Agricorp that we make it easy for producers to do business with us. This means offering a choice of service channels, online services and other convenient options. Customers can deal with us over the phone, by email or face to face at meetings, farm shows and on their farms. We also focus on effective communications and customer outreach to make sure customers understand how programs work and what the best options are for their operations.

Convenient service options

In 2018, we continued promoting the benefits of online services, direct deposit of program payments and email notification. Direct deposit uptake has increased over the past three years, from 23 per cent of payments issued by direct deposit to 33 per cent annually. This means customers are getting their program payments up to seven days faster.

Customers continue to take advantage of our secure online services to submit AgriStability forms, livestock sales reports and planted acreage reports at their convenience. We make it easy for customers to pay their program premiums and fees through their financial institution, online, over the phone or at their branch.

Highlights:

In 2018-19, 71 per cent of producers submitted AgriStability year-end forms online.

48 per cent of producers submitted livestock sales reports online.

26 per cent of producers reported their acres online, a small increase over the previous year.

55 per cent of all premiums and fees were paid through a financial institution.

Effective customer outreach

Reaching out to customers through a variety of communication channels has been a mainstay for Agricorp. The unprecedented DON situation affecting the 2018 corn crop highlighted the importance of effective customer outreach to keep customers informed about the changing situation, how their program coverage works and how we could help.

More and more, customers are using our website to find the latest program information and updates. We published several online articles to keep customers informed about the crop year, growing conditions, DON situation and program coverage options throughout the 2018 crop season. Steady increases to our website traffic indicate producers found these informational articles helpful.

We published informational updates and program reminders in agricultural and commodity-based media to reach our broad customer base. We also worked closely with the fruit and vegetable, ginseng, and beekeeper sectors to develop articles for their newsletters, showing how the programs we deliver respond to severe weather, volatile markets and increased costs.

Raising program awareness is an important step in helping producers understand their choices and make the right decisions for their farms. Our customer outreach focused on making program participation easier and program coverage easier to understand. Notably, the number of AgriStability cancellations was significantly lower in 2018, compared to previous years, while the number of new customers grew to its highest level in four years. The reduction in cancellations could be attributed to a number of factors, including program changes under the *Canadian Agricultural Partnership*, clear communications that show how AgriStability responds when needed and a proactive retention strategy to ensure customers understand the value of the program before they cancel.

Our customer outreach efforts were very effective in 2018-19 in helping customers understand how programs can help them manage their business risks.

Highlights:

We refreshed our website home page, making it easier for new customers to find information about the programs we deliver.

We published 10 news articles under the banner “2018 Crop season,” with topics covering weather risks and program options, tips on reporting damage, rainfall maps and crop yields.

We published 10 articles under the banner “Latest updates for DON,” with topics covering how program coverage works, the claims process, DON samples and tests, and the corn salvage benefit.

We published seven articles about AgriStability, including information about program changes under the *Canadian Agricultural Partnership* and how AgriStability responds.

We attended many farm shows, including the Hastings Plowing Match, Canada’s Outdoor Farm Show, London Farm Show, and Ottawa Valley Farm Show.

Producers were able to meet with Agricorp representatives face to face to ask questions and learn how business risk management programs could help their operations. Our booths featured interactive tools where producers could compare rainfall and yields by county and determine their Production Insurance guarantee for corn, soybeans and wheat.

We attended 149 industry stakeholder meetings to help us understand and address industry needs and concerns. This included 20 national committee meetings and conference calls.

Ready to deliver

Agricorp receives regular requests from government and industry alike to deliver new programs and make changes to existing ones. As agriculture evolves, programs must also evolve to keep pace with changing industry practices and needs. Agricorp works hard to ensure that when needs change, we are ready to deliver programs that remain relevant and responsive.

In 2018-19, we started delivering two additional programs and updated several existing programs to address industry and government requests.

Delivering the Farm Property Class Tax Rate Program

In February 2019, Agricorp became the administrator for the Farm Property Class Tax Rate Program, also known as the “Farm Tax Program.” Landowners now contact Agricorp for eligibility and enrolment, instead of OMAFRA. This change makes it easier for landowners who already deal with Agricorp for the Farm Business Registration (FBR) program. FBR is a requirement for the Farm Tax Program.

Agricorp and OMAFRA worked closely to ensure a seamless transition for customers. We leveraged our infrastructure, program delivery expertise and strong customer service to provide a positive customer experience.

Highlights:

We developed web content, customer-friendly forms and a detailed feature sheet to clearly explain how the program works and the different roles played by Agricorp, MPAC and municipalities in administering the Farm Tax Program.

Delivering Ontario’s Beef Cattle Financial Protection Program

In January 2019, Agricorp started delivering Ontario’s Beef Cattle Financial Protection Program. Agricorp was recommended as the new delivery agent when the previous service provider decided to cease operations at the end of 2018. Agricorp is well positioned to deliver this program due to our industry knowledge, program delivery expertise and quality customer service. We also have experience delivering a similar program, the Grain Financial Protection Program.

The transition to Agricorp will take place in stages over two to three years. For the first year, Agricorp is supporting the Ministry in licensing dealers. OMAFRA will continue to manage program policy, licence renewals, investigations and enforcement. We also support the Livestock Financial Protection Board (LFPB) in their role of collecting remittance fees, managing the fund and determining if claimants are eligible for payment.

Highlights:

Agricorp collaborated with OMAFRA, the previous service provider and the LFPB to ensure a smooth transition for stakeholders, including cattle sellers and licensed dealers.

We were up and running within a matter of weeks of being chosen as the new service provider.

Separating yields for Japanese and European plums

We collaborated with the Ontario Tender Fruit Growers to assess yields separately for the Japanese and European plums, starting in 2019. This means producers who experience low yields in one type of plum may still receive compensation for that loss, rather than having the loss offset by higher yields from another type. This change reflects the agronomic differences between Japanese and European plums and more fairly compensates producers for a loss.

Highlights:

We collaborated with both provincial and federal governments to obtain necessary approvals to improve the plum plan.

Making AgriStability changes under the *Canadian Agricultural Partnership*

When the *Canadian Agricultural Partnership* replaced *Growing Forward 2* in 2018, there were changes made to AgriStability. The most notable change provides a more equitable level of support by lessening the impact of low expenses. This means producers are now guaranteed a reference margin of at least 70 per cent of their average net income – no matter how low their expenses are – increasing the potential for a payment for producers in need.

In addition, it is now easier for new and rejoining participants to enrol in AgriStability. To minimize the upfront information required, program fees will be calculated using industry benchmarks, rather than their actual financial records. Producers only have to submit their current productive capacity to enrol, significantly reducing their paperwork burden.

Highlights:

Agricorp made the required changes in the processing of AgriStability files and communicated the changes to customers and agents through customer letters, information sheets, advertising in farm media, and online news articles on agricorp.com.

We also changed the branding on all customer materials to reflect the shift from *Growing Forward 2* to the *Canadian Agricultural Partnership*.

What our customers think

Based on our most recent annual customer satisfaction survey, conducted in February 2019, overall satisfaction with Agricorp remains high. When asked how Agricorp compares to other companies they deal with, 92 per cent of survey respondents said we perform the same or better. In terms of customer service, 78 per cent of respondents rated our call centre as above average or outstanding and 81 per cent rated our field staff as above average or outstanding. Our call centre's strongest attributes were friendliness, helpfulness and competence. Our field staff's strongest attributes were friendliness, agriculture and program knowledge, and communicating clearly.

We also scored top marks for the quality of our program communications. An impressive 99 per cent of Production Insurance customers found our information easy to understand and informative. For the Risk Management Program, 93 per cent of customers found our information easy to understand and 96 per cent found it informative. For AgriStability, considered by many to be a more complicated program, 82 per cent of customers found our information easy to understand and 88 per cent found it informative.

These results speak to the calibre of our people and our customer focus.

Looking ahead

Agricorp's performance has been strong, reliable and consistent. Looking ahead, we will continue to focus on improving efficiency and quality, ensuring customers have the support they need when they need it.

We recognize the value of the agriculture sector and we fully support the Ontarians who work in this industry. Our commitment to our customers and to a thriving agricultural sector means we will always work hard to help strengthen Ontario agriculture.

2018-19 Performance measures and results

Targets	Results
Achieve a consistently high overall customer service rating, equal to or greater than the previous three-year average of 93 per cent.	In the 2019 customer satisfaction survey, Agricorp's overall performance rating was 92 per cent, equal to the previous three-year average.
Process 95 per cent of the 2017 AgriStability files by December 15, 2018.	Agricorp processed 95 per cent of the 2017 AgriStability files by December 14, 2018.
Process 90 per cent of Production Insurance claims within 30 calendar days of receipt of all required information.	Agricorp processed 93 per cent of Production Insurance claims within 30 calendar days.
Process 95 per cent of Risk Management Program (RMP) payments within 60 days of receipt of all required information.	Agricorp processed 99 per cent of RMP payments within 60 days.
Achieve a customer satisfaction rating for the delivery of Production Insurance, equal to or greater than the previous three-year average of 92 per cent.	In the 2019 customer satisfaction survey, Agricorp's rating for the delivery of Production Insurance was 92 per cent, equal to the previous three-year average.
Achieve a customer satisfaction rating for the delivery of AgriStability, equal to or greater than the previous three-year average of 74 per cent.	<p>In the 2019 customer satisfaction survey, Agricorp's rating for the delivery of AgriStability was 71 per cent, below the previous three-year average.</p> <p>Agricorp will continue to provide effective program communications and quality customer service while supporting the provincial and federal governments with the business risk management program review.</p> <p>We have taken steps to improve customer understanding of AgriStability by producing a new AgriStability information sheet, which highlights program benefits, recent program changes, and tips to help customers complete their forms.</p>
Achieve a customer satisfaction rating for the delivery of RMP that is equal to or greater than the previous three-year average of 81 per cent.	In the 2019 customer satisfaction survey, Agricorp's rating for the delivery of RMP was 84 per cent, above the previous three-year average.

Targets	Results
Complete the annual Chair and CEO attestation, as required, for compliance with applicable legislation, directives and policies.	Agricorp completed the Chair and CEO attestation for 2018-19 by March 5, 2019, as requested by the Government of Ontario and in compliance with the Agencies and Appointments Directive.
Submit a three-year business plan, which includes a budget and risk management plan, to the Minister by March 1, 2019.	Agricorp's 2019-22 business plan is expected to be submitted to the Minister in June 2019. Submission of the business plan was delayed until Agricorp's 2019-20 program administrative funding from the provincial government was known. Agricorp will continue to collaborate with OMAFRA to enable timely submission of future business plans.
Provide sound and balanced operational performance and financial reports to OMAFRA quarterly.	Operational and financial reports were provided to OMAFRA on a monthly and quarterly basis.
Submit an annual report to the Minister within 90 days of receipt of audited financial statements from the Auditor General.	Agricorp's 2017-18 annual report was submitted to the Minister on July 23, 2018, 34 days after receiving audited financial statements from the Auditor General.
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.



An agency of the Government of Ontario

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 Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

Original signed by

Doug LaRose
Chief Executive Officer

Original signed by

Monika Sawa
Chief Financial Officer

June 18, 2019



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Independent Auditor's Report

To Agricorp

Opinion

I have audited the financial statements of Agricorp, which comprise the statement of financial position as at March 31, 2019, and the statements of operations and fund balances, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Agricorp as at March 31, 2019, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Agricorp in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing Agricorp's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Agricorp either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Agricorp's financial reporting process.

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Agricorp's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Agricorp's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Agricorp to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
June 18, 2019

Susan Klein, CPA, CA, LPA
Assistant Auditor General

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

Agricorp

Statement of financial position

As at March 31, 2019

(In thousands of dollars)	General Fund	Production Insurance Fund	2019	2018
Current assets				
Cash	\$ 4,913	\$ 33,127	\$ 38,040	\$ 36,731
Short term investments (note 6)	-	395,834	395,834	884,049
Accounts receivable (note 5)	5,280	8,142	13,422	12,365
Funds under administration (note 3)	31,741	-	31,741	32,986
Prepaid expenses	698	-	698	597
Total current assets	42,632	437,103	479,735	966,728
Long term investments (note 6)	-	529,022	529,022	-
Accrued pension asset (note 12)	10,173	-	10,173	9,278
Capital assets (note 7)	7,506	-	7,506	2,722
Total assets	60,311	966,125	1,026,436	978,728
Current liabilities				
Accounts payable and accrued liabilities	4,648	1,427	6,075	5,374
Unearned premiums and revenue (note 10)	3,216	21,946	25,162	20,805
Provision for claims	-	10,000	10,000	4,600
Funds under administration (note 3)	31,741	-	31,741	32,986
Total current liabilities	39,605	33,373	72,978	63,765
Long term unearned premiums and revenue (note 10)	7,506	-	7,506	2,722
Total liabilities	47,111	33,373	80,484	66,487
Fund balances				
Unrestricted funds	13,200	-	13,200	8,810
Restricted funds	-	932,752	932,752	903,139
Total fund balances	13,200	932,752	945,952	911,949
Accumulated remeasurement gains	-	-	-	292
Liabilities, fund balances and accumulated remeasurement gains	\$ 60,311	\$ 966,125	\$ 1,026,436	\$ 978,728

Commitments and contingencies (note 13)

See accompanying notes to financial statements

Approved on behalf of the Board

Original signed by

Jason Verkaik
Board Chair

Original signed by

Patricia Lorenz
Finance and Audit Committee Chair

Agricorp

Statement of operations and fund balances

Year ended March 31, 2019

(In thousands of dollars)	General Fund	Production Insurance Fund	2019	2018
Revenue				
Funding – provincial government (note 9)	\$ 20,576	\$ 30,676	\$ 51,252	\$ 51,965
Funding – federal government (note 9)	22,841	46,002	68,843	66,759
Premiums from producers	-	51,424	51,424	52,529
Consulting and other services	938	-	938	910
Investment income	103	22,869	22,972	16,671
Total revenue	44,458	150,971	195,429	188,834
Expenses				
Claims	-	116,692	116,692	108,031
Reinsurance (note 11)	-	4,696	4,696	2,926
Administration (note 16)	39,672	-	39,672	40,806
Bad debts	396	(30)	366	12
Total expenses	40,068	121,358	161,426	151,775
Excess of revenue over expenses	4,390	29,613	34,003	37,059
Fund balances, beginning of year	8,810	903,139	911,949	874,890
Fund balances, end of year	\$ 13,200	\$ 932,752	\$ 945,952	\$ 911,949
Related party transactions (note 14)				

See accompanying notes to financial statements

Agricorp

Statement of remeasurement gains and losses

Year ended March 31, 2019

(In thousands of dollars)		2019		2018
Accumulated remeasurement gains, beginning of year	\$	292	\$	2,808
Unrealized (losses) on investments		-		(2,194)
Realized (gains) reclassified to the statement of operations and fund balances		(292)		(322)
Net change for the year		(292)		(2,516)
Accumulated remeasurement gains, end of year	\$	-	\$	292

See accompanying notes to financial statements

Agricorp

Statement of cash flows

Year ended March 31, 2019

(In thousands of dollars)	General Fund	Production Insurance Fund	2019	2018
Cash provided by operating activities				
Excess of revenue over expenses	\$ 4,390	\$ 29,613	\$ 34,003	\$ 37,059
Items not requiring an outlay of cash				
Realized (gains) on investments	-	(292)	(292)	(322)
Amortization of capital assets	505	-	505	520
Total	4,895	29,321	34,216	37,257
Changes in non-cash working capital				
Accounts receivable	(1,521)	464	(1,057)	(4,279)
Prepaid expenses	(101)	-	(101)	53
Accrued pension asset	(895)	-	(895)	(1,002)
Accounts payable and accrued liabilities	(557)	1,258	701	(308)
Unearned premiums and revenue	4,885	4,256	9,141	2,860
Provision for claims	-	5,400	5,400	3,400
Total	1,811	11,378	13,189	724
Investing activity				
Net (purchase) proceeds of investments	481	(41,288)	(40,807)	(41,408)
Capital activity				
Purchase of capital assets	(5,289)	-	(5,289)	(2,604)
Increase (decrease) in cash	1,898	(589)	1,309	(6,031)
Cash, beginning of year	3,015	33,716	36,731	42,762
Cash, end of year	\$ 4,913	\$ 33,127	\$ 38,040	\$ 36,731

See accompanying notes to financial statements

Agricorp

Notes to the financial statements

Year ended March 31, 2019

Notes to the financial statements

Year ended March 31, 2019

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 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 Farm Business Registration, Provincial Premises Registry and Farm Property Class Tax Rate Program. These programs, as detailed under note 3 and note 4, are administered on behalf of OMAFRA in accordance with their respective program delivery agreements.

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. Revenue is recognized in the year in which it is 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.

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 life of the assets, with a half-year amortization taken in the year of acquisition and disposition. The estimated useful lives of the assets are as follows:

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

Software under development is recorded at cost, which includes amounts directly related to the acquisition, development, customization and installation, as well as directly attributable labour. Software under development is not amortized until it is available for use.

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 five days of sick leave per year. Unused sick leave days are eligible to accumulate up to 47 days, which can only be used to supplement the short term disability benefit. Employees are not paid for unused sick leave.

d) Revenue recognition

Within 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.

Agricorp

Notes to the financial statements

Year ended March 31, 2019

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

Investment income is recognized as earned; amounts not yet received are included in the carrying value of investments.

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 investments at fair value. Investments include cash equivalents, Guaranteed Investment Certificates (GICs), term deposits and bonds. Cash equivalents, GICs and term deposits are recorded at cost plus accrued interest, which approximates fair value.

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 not all of the necessary information for reported claims is 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 agricultural business risk management and other programs. These programs are generally administered on behalf of OMAFRA for producers in the province, and cover joint federal-provincial, federal-only and provincial-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 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

The AgriStability program was established to provide 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. The program has existed under several federal, provincial and territorial frameworks, currently, the Canadian Agricultural Partnership, which came into effect April 2018.

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 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.

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Notes to the financial statements

Year ended March 31, 2019

c) General Top-Up Program (GTUP)

GTUP was established under the Federal-Provincial 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. MVIP is fully funded by the provincial government.

e) Edible Horticulture Support Program (EHSP)

The EHSP is a support program announced by the provincial government in the 2017 fall economic statement. The program supports Ontario's fruit and vegetable farmers and other horticultural producers, by helping them adapt to evolving cost pressures facing the sector, and adapt to a new small business climate. Agricorp began administering this program on behalf of OMAFRA in January 2018.

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

The VQA-WSP 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. This program is fully funded by the provincial government.

g) Other programs

Agricorp administers 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 their program delivery agreements. Other programs include:

Farm Business Registration (FBR)

In accordance with the *Farm Registration and Organizations Funding Act, 1993*, farm businesses in Ontario whose gross farm income is equal to or greater than \$7,000 are required to register their farm business. In return for the registration, the farm business pays a reduced property tax rate on agricultural land 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 2019	Funding, federal government	Funding, provincial government	Other	Payments	Closing balance 2019
AgriStability	\$ 14,589	\$ 16,110	\$ 4,909	\$ (858)	\$ (28,584)	\$ 6,166
RMP-GO	1,525	-	31,734	-	(33,213)	46
RMP-LS	3,753	-	39,699	5,333	(35,184)	13,601
RMP-SDRM	9,154	-	19,343	1,176	(21,495)	8,178
GTUP	2,562	-	-	(50)	-	2,512
MVIP	875	-	890	(1)	(1,071)	693
VQA-WSP	-	-	7,500	-	(7,500)	-
EHSP	-	-	29,945	1	(29,779)	167
Other programs	528	-	2,592	(147)	(2,595)	378
Total	\$ 32,986	\$ 16,110	\$ 136,612	\$ 5,454	\$ (159,421)	\$ 31,741

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(In thousands of dollars)	Opening balance 2018	Funding, federal government	Funding, provincial government	Other	Payments	Closing balance 2018
AgriStability	\$ 92,889	\$ 40,910	\$ 17,183	\$ (82,022)	\$ (54,371)	\$ 14,589
RMP-GO	144	-	31,893	4	(30,516)	1,525
RMP-LS	4,913	-	37,677	(170)	(38,667)	3,753
RMP-SDRM	9,419	-	25,402	(3,010)	(22,657)	9,154
GTUP	2,533	-	-	29	-	2,562
MVIP	783	-	1,822	1	(1,731)	875
VQA-WSP	-	-	7,500	-	(7,500)	-
Other programs	512	-	2,038	11	(2,033)	528
Total	\$ 111,193	\$ 40,910	\$ 123,515	\$ (85,157)	\$ (157,475)	\$ 32,986

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

4. Additional programs

Included in Administration expenses (see Note 16) are costs associated with the delivery of several other programs in accordance with individual program delivery agreements. These additional programs are administered on behalf of OMAFRA. Additional programs include:

Provincial Premises Registry (PPR)

Established in 2008, the PPR registers unique parcels of land in Ontario associated with agri-food activities. The PPR collects information including agri-food business location, activities and emergency contacts, and maintains a current database for access by the Ministry for emergency response and preparedness. As part of the National Agri-Food Traceability System, all provinces are responsible for having a premises registration system in place to enable the swift response to incidents and emergencies that could harm agri-food businesses and consumers. Agricorp began administering this program on behalf of OMAFRA in February 2018.

Farm Property Class Tax Rate Program (FPCTRP)

Under FPCTRP, eligible farm properties pay a reduced property tax rate for their acreage. Agricorp delivers the FPCTRP, completes eligibility assessments for all valued and assessed farm properties, and reports the properties that meet all the FPCTRP requirements to the Municipal Property Assessment Corporation (MPAC). MPAC in turn forwards this information to the local municipalities. The municipality will then tax the properties that meet the requirements at the farm rate. Agricorp's activities related to this program were transferred from OMAFRA in January 2019.

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Notes to the financial statements

Year ended March 31, 2019

5. Accounts receivable

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

(In thousands of dollars)	2019		2018	
Funding – federal government	\$	8,687	\$	8,948
Funding – provincial government		2,022		2,100
Other		2,725		1,464
		13,434		12,512
Less allowance for doubtful accounts		(12)		(147)
Total	\$	13,422	\$	12,365

6. Investments

a) Portfolio profile

(In thousands of dollars)	2019		2018	
Short-term				
Province of Ontario	\$	-	\$	11,625
Other provincial governments		-		37,888
Provincial utilities		-		22,012
Financial institutions – cash and equivalents		77,903		277,660
Financial institutions – guaranteed investment certificates		317,931		534,864
Total short-term		395,834		884,049
Long-term				
Financial institutions – guaranteed investment certificates		529,022		-
Total long-term		529,022		-
Total investments	\$	924,856	\$	884,049

All long-term investments mature within 1-3 years.

b) Fair value hierarchy

(In thousands of dollars)	Level	2019		2018	
Cash and equivalents	1	\$	77,903	\$	277,660
Guaranteed investment certificates	2		846,953		534,864
Bonds	1		-		71,525
Total		\$	924,856	\$	884,049

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

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Notes to the financial statements

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7. Capital assets

(In thousands of dollars)	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Furniture and fixtures	\$ 1,218	\$ 1,218	\$ -	\$ 1
Computer hardware	3,886	3,384	502	735
Leasehold improvements	1,958	1,954	4	6
Computer software	13,315	13,270	45	137
Software under development	6,955	-	6,955	1,843
Total	\$ 27,332	\$ 19,826	\$ 7,506	\$ 2,722

8. 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 investment guidelines constraints 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.

The average return on investments is 2.61% (2018 - 2.01%). 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 the policies, procedures and methods used to measure the risk.

c) Credit risk

General

Credit risk is the risk that other parties fail to perform as contracted. Agricorp's exposure to credit risk is principally through balances receivable from the federal and provincial governments and producers as well as through its investment securities.

Reinsurance

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.

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Collectability

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.

Investments

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.

9. 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 agricultural business risk management and other programs. The provincial and federal governments have agreed to share the costs of administering Production Insurance, and AgriStability at the ratio of 60% and 40% respectively. The costs to administer RMP-GO, RMP-LS, RMP-SDRM, MVIP, VQA-WSP, PPR, EHSP and FPCTRP are funded by the provincial government.

10. Unearned premiums and revenue

Unearned premiums represent Production Insurance premiums of \$21.9 million (2018 - \$17.7 million) received by Agricorp in the current fiscal year, and are recognized as revenue in the year in which the related agricultural products are harvested. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of \$7.5 million (2018 - \$2.7 million) and other unearned amounts of \$3.2 million (2018 - \$3.1 million).

11. Reinsurance agreement

Agricorp uses reinsurance in the normal course of Production Insurance operations to manage its risk exposure. Coverage involving a number of reinsurance companies was purchased for the 2018 production year. Under the terms of the 2018 production year agreement, the reinsuring companies would assume losses between 16% and 21% on \$3.4 billion insured liability, on a 50% co-reinsurance basis (2017 production year - 19% – 21% on \$3.1 billion). As actual claims were less than the minimum threshold of \$539 million (2017 production year - \$598 million), there was no reinsurance recovery for the 2018 production year (2017 – no recovery).

12. 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:

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Year ended March 31, 2019

(In thousands of dollars)	2019	2018
Accrued benefit obligation		
Balance, beginning of year	\$ 54,774	\$ 50,828
Current service cost	2,210	2,917
Interest cost	3,356	3,116
Employee contributions	2,019	1,650
Benefits paid	(1,895)	(2,358)
Actuarial loss (gain)	2,462	(1,379)
Balance, end of year	62,926	54,774
Plan assets		
Fair value, beginning of year	66,620	61,239
Actual return on plan assets	4,297	2,937
Employer contributions	2,246	3,152
Employee contributions	2,019	1,650
Benefits paid	(1,890)	(2,358)
Fair value, end of year	73,292	66,620
Funded status		
Plan surplus	10,366	11,846
Unamortized actuarial (gain)	(193)	(2,568)
Accrued pension asset	\$ 10,173	\$ 9,278

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Notes to the financial statements

Year ended March 31, 2019

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

	2019 (%)	2018 (%)
Discount rate to determine accrued benefit obligation	5.90	6.00
Discount rate to determine benefit cost	5.90	6.00
Expected long-term rate of return on plan assets	5.90	6.00
Rate of compensation increase	2.75	2.75

The net benefit plan expense is as follows:

(In thousands of dollars)	2019	2018
Current service cost	\$ 2,210	\$ 2,917
Interest cost	3,356	3,116
Expected return on plan assets	(4,068)	(3,748)
Amortization of unrecognized (gain) loss	(142)	(136)
Net benefit plan expense	\$ 1,356	\$ 2,149

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

Security type	2019 (%)	2018 (%)
Canadian equities	29.4	28.4
U.S. equities	18.2	18.2
International equities	11.5	12.7
Bonds	23.4	24.2
Real estate	10.5	10.1
Cash and cash equivalents	7.0	6.4
Total plan	100	100

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 \$2.2 million (2018 - \$2.1 million).

For valuations with effective dates on or after December 31, 2017, the Government of Ontario implemented a new framework for defined benefit pension plans, including, but not limited to additional provision for adverse deviations in the going concern calculation, and requiring special payments to fund the plan up to 85% on a solvency basis, in the event that a plan's solvency ratio falls below 85%.

Agricorp elected to have a pension plan actuarial valuation performed as of January 1, 2018. At that time, the plan had a going concern actuarial surplus of \$6.0 million and had a solvency and wind-up deficit of \$9.9 million and solvency ratio of 87.3%, resulting in no requirement to make special payments. 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, 2021.

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Year ended March 31, 2019

13. 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		Total
	location	Others	
2020	\$ 1,106	\$ 436	\$ 1,542
2021	1,113	391	1,504
2022	1,120	409	1,529
2023	1,127	424	1,551
2024	1,133	376	1,509
Thereafter	2,288	881	3,169
Total	\$ 7,887	\$ 2,917	\$ 10,804

Agricorp signed an agreement in January 2019 committing to purchase reinsurance through a number of carriers for the 2019 production year. The estimated cost for this agreement is \$5.3 million (2018 - \$4.7 million).

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.

14. 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 (2018 - \$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 (2018 - \$1.1 million). Agricorp earned revenue of \$51.0 million (2018 - \$52.0 million) from OMAFRA as their share of Production Insurance premium and operating funding.

15. Board remuneration and salary disclosure

Total remuneration to members of the Board of Directors was \$32 thousand (2018 - \$32 thousand). *The Public Sector Salary Disclosure Act, 1996* requires Agricorp to disclose employees paid an annual salary in excess of \$100 thousand. Complete disclosure for Agricorp is included in the "Public Sector Salary Disclosure 2018: Crown Agencies" listing on the Government of Ontario website: <https://www.ontario.ca/page/public-sector-salary-disclosure-2018-all-sectors-and-seconded-employees>.

For the 2018 calendar year, actual amounts paid to the five employees with the highest annual salaries are:

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Name	Position	Salary	Taxable benefits
LaRose, Doug	Chief Executive Officer	\$ 250,376	\$ 606
Vlcek, Mike	Senior Director, Program Development	187,547	474
Meneray, Debra	Senior Director, Program Delivery	185,280	476
Rose, Christopher	Chief Information Officer	178,362	481
Sayer, Greg	Senior Director, Legal Services	171,787	464

16. Administration

(In thousands of dollars)

	2019	2018
Salaries and benefits	\$ 31,094	\$ 32,062
Equipment and maintenance	2,622	2,610
Consulting and professional	1,890	1,750
Facilities	1,452	1,498
Telephone and postage	755	767
Office	618	782
Vehicle and travel	554	586
Amortization	505	520
Other	182	231
Total	\$ 39,672	\$ 40,806

17. Comparative figures

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

Contact us

1-888-247-4999

Fax: 519-826-4118

TTY: 1-877-275-1380

Accessible formats available

agricorp.com

contact@agricorp.com

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

Version française disponible

Agricorp Annual Report 2018–19 – ISSN 1715-7587 (Agricorp. Online)

Agricorp Rapport annuel 2018–19 – ISSN 1715-7595 (Agricorp. En ligne)