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2011 SUMMER NEWSLETTER – FARMING MATTERS

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Risk Management for Livestock Producers

The early July formal announcement of a Risk Management Program (RMP) is a program Ontario's agricultural groups have been lobbying to receive for a long time.

The purpose of the RMP is to provide price assurance for farmers, including livestock farmers. It differs from AgriStability and Production Insurance on the type of issues it covers. Production Insurance covers low crop yields, while AgriStability provides support for commodities that fluctuate over the short term. AgriStability is not designed to cover long term declines or extended low prices, even if crisis related. The RMP seeks to deal with both of these issues by helping farmers manage the risks beyond their control such as fluctuating costs and volatile market prices. The program also includes grains and oilseeds, replacing the temporary Risk Management Program in place for the past 4 years.

Ontario is also providing a self-directed risk management program for the edible horticulture sector.

Ontario will fund the risk management program at its traditional 40 per cent share.

Premiums for Risk Management are waived for 2011. For 2012 participants will be required to pay premiums. Application forms for Grains and Oilseeds will be available in early August with the balance of commodity applications available in the fall.

All commodity participants will require premises identification.

Enrolment in AgriStability is mandatory for all RMP participants (except for 2011 as the deadline has expired)

Producers can choose their coverage level at 100%, 90% or 80% for all commodities.

Some details of individual programs are as follows:

Cattle

The cattle risk management program is divided into three categories, that being cow-calf, backgrounder, and feedlot.

In order to be eligible for coverage cattle must be owned by the participant for 120 days and housed in Ontario. If your farm has more than one category, you must choose the category you are enrolling in. Payments will be calculated as:

(A)*(B)*(C)=Payment for each category

(A)-support level minus the market price.
(B)-production- measured on per head basis for cow-calf or total weight gained within the range for backgrounder and feedlot.
(C)-Ontario's 40% share.

Payments are made spring and fall for cow-calf and to backgrounders and feedlot owners quarterly.

To be eligible for 2011 farmers must apply in the fall and report the following:

- actual pounds produced and sold from January 1, 2011 to September 30, 2011.
- projected pounds produced and sold or transferred October 1, 2011 to December 31, 2011.

Swine

The swine risk management program is divided into three categories, that being early wean, feeder, and grower-finisher.

In order to be eligible for coverage in the grower finisher group there is a minimum live weight gain of 87.5 kg. Hogs must be owned by the participant for a minimum period of time (15 days early wean, feeder 35 days and grower-finisher 70 days) and they must have been housed in Ontario. If your farm has more than one category you must choose which category you wish to enroll in. Payments will be calculated as:

(A)*(B)*(C)=Payment for each category

(A)-support level minus the market price.
(B)-production- measured on per head basis for early wean and feeder categories or total weight gained within the range for grower-finisher.
(C)-Ontario's 40% share.

Payments are quarterly and will be the sum of the weekly calculations for the completed quarter.

To be eligible for 2011 farmers must apply in the fall and report the following:

- actual sales by category from January 1, 2011 to September 30, 2011.
- projected sales by category October 1, 2011 to December 31, 2011.

Sheep

Lambs between 30 and 126 pounds of live weight and under the age of one year are eligible. Lambs must be owned by the participant for a minimum of 30 days and be housed in Ontario. Payments will be calculated as:

(A)*(B)*(C)=Payment

(A)-support level minus the market price.
(B)-production- measured as the total weight gain for eligible lambs sold within a production period.
(C)-Ontario's 40% share.

Payments are made twice a year following the completion of the May-June and November -December production periods.

To be eligible for 2011, farmers must apply in the fall and report the following:

- actual sales from January 1, 2011 to September 30, 2011.
- projected sales from October 1, 2011 to December 31, 2011.

Veal

Only finished veal calves that have been owned by the participant for a minimum of 90 days are eligible and calves must be housed in Ontario. Payments will be calculated as:

(A)*(B)*(C)=Payment

(A)-support level minus the market price.
(B)-production- measured as the total veal calves sold.
(C)-Ontario's 40% share.

Payments are made quarterly.

To be eligible for 2011 farmers must apply in the fall and report the following:

- actual sales from January 1, 2011 to September 30, 2011
- projected sales from October 1, 2011 to December 31, 2011.

Grains and Oilseeds

Covers all Ontario grown corn, soybeans, wheat, canola, barley, oats, beans, sunflowers, rye, etc. All crops grown by a producer must be covered. Must be enrolled in Production Insurance for 2012 and subsequent years. Payments will be calculated as:

(A)*(B)*(C)* (D)=Payment

(A)-support level minus the market price.
(B)-acreage of the crop.
(C)-50% of the farms average crop yield.
(D)-Ontario's 40% share.

To be eligible for 2011 farmers must apply in the fall and report the following:

- actual sales from January 1, 2011 to September 30, 2011.
- projected sales from October 1, 2011 to December 31, 2011.

More details on the risk management programs will be released in the near future. The first payment for all commodities is expected in December.

Farmers will have to weigh the cost of this program against perceived benefits when deciding to enroll.

High enrolment in the program, even if prices are looking good in the immediate future, is a strong endorsement to having such a program in place for a rainy day. On the other hand, if a majority of farmers elect not to be involved, that also sends a clear message to leadership and government about the value of the RMP and other safety net programs.

AgriInvest

The 2010 year was the fourth year for the AgriInvest program. Since 2009, deposits must be made at your local banking institution. Deposits are calculated as 1.5% of your eligible sales and in most cases presents an easy opportunity to generate some additional revenue.

For individuals, as long as an AgriInvest farm statement (T1163) is prepared with your tax return you are in the program. The deadline for this farm statement was the same as the final filing deadline for your self employed tax return, that being June 15.

Corporations must file a separate Statement A with a due date of September 30.

Unfortunately some of our producers missed their deposit deadline, and as a result their AgriInvest grant. You have 90 days from the date of your Deposit Notice to make your matchable deposit. After this deposit is made and it is matched, you can withdraw both amounts by simply contacting your bank. Please ensure your deposits are made within the 90 day deadline. Our experience has been, there are no exceptions to this deadline.

AgriStability

AgriStability has somewhat stabilized the last couple of years, but remains a very confusing program to evaluate whether you have been treated fairly. For this reason, we suggest you continue to bring us your Calculation of Program Benefits when you receive them for us to review. We successfully appeal many applications.

Advance Payment Program (APP) Repayment

For producers who have loans outstanding under the APP, repayment deadlines are fast approaching.

Cattle producers will have until March 31, 2012 to repay amounts owed with regular repayments to begin no later than June 1, 2011. Hog producers will have until March 31, 2013 to repay amounts owed, with regular repayments to begin by April 1, 2012. The interest free portion ceases on the date regular payments commence.

Producers can contact their Program Administrator for more details. Regular APP loans will continue to be available to producers who meet the program eligibility criteria.

WSIB

Canada Revenue Agency (CRA) and WSIB continue to compare records to ensure employers are reporting and paying all required employee tax deductions and WSIB premiums. If you have employees, WSIB coverage is mandatory, including for your spouse and/or children if they are being paid. Casual employees are not exempt from WSIB. Only directors and executive officers of a company are exempt. Being a shareholder of a company does not in itself exempt you from WSIB coverage. If you are paying WSIB, but not employee tax deductions, or the reverse is true, we expect you will eventually receive a phone call from either CRA or WSIB. We suggest you talk to us if you have concerns in this area.

EI Benefits for the Self Employed

The federal government has extended employment insurance benefits to self-employed Canadians. As a voluntary program, the onus is on the self employed to decide whether they want to be part of the program. A minimum of $6,000 self employed income is required. Farmers can opt out at the end of any tax year as long as they have not collected benefits. Self employed individuals will only be eligible for payments if they opt into the program at least one year prior to collecting benefits.

The downside is farmers could pay excessive premiums without deriving many benefits. If they ever claim benefits they must contribute on self employed earnings for as long as they are self employed. In most cases, farmers tend to work on the farm for a long time and retire much later than others, meaning more premiums.

HST Returns

Recently some farmers have had issues with their HST filings as they are not filling their HST returns properly. One problem stems around netting ITC's paid and HST collected, and not reporting the two items separately. Although the net receivable/payable is correct, it could create an HST audit as it appears you never collected HST.

A second issue came to the surface this year when the government made the decision to use HST filings as their source for payment of the HST transition credit. Line 101 (total sales line) was used for calculation of the payment and if producers did not fill out this line properly their grant was reduced or eliminated. The government could use this number in the future for other government payments so we suggest farmers ensure the total sales number reported is correct.

The sales line includes all farm sales (excluding government grants), not just those with HST charged. This must include sale of zero rated commodities (such as milk and crops, etc.).