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2012 Handbook

SDRM: Edible Horticulture



Manage your farm risk



Ontario's Risk Management Program (RMP) helps producers manage risks beyond their control, like fluctuating costs and market prices. The program is available for the cattle, edible horticulture, grain and oilseed, hog, sheep and veal sectors.

The Risk Management Program complements AgriStability and Production Insurance. AgriStability was designed to stabilize whole farm income, and Production Insurance was created to mitigate production loss.

This handbook outlines what you need to know about the self-directed risk management (SDRM) plan for edible horticulture, how to participate, and your responsibilities as a participant.

For full particulars of terms and conditions, you can refer to the documents listed below:

- SDRM: Edible Horticulture 2012 guidelines
- Order-in-Council No. 1310-2011
- Order-in-Council No. 1311-2011

Where there is any conflict between the *2012 Handbook – SDRM: Edible Horticulture* and the provisions specifically set out in the provincial guidelines, the guidelines take precedence. To obtain copies of these documents please contact the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) at rmpinfo@ontario.ca or 1-877-424-1300 (toll free).

Self-directed plan for edible horticulture

The self-directed risk management (SDRM) plan for edible horticulture allows you to deposit funds into an SDRM account with Agricorp to help mitigate risk associated with farm business. The government matches your deposit up to a maximum based on your sales. Funds may be withdrawn from this account to cover risk to your farm business.

SDRM: Edible Horticulture was designed collaboratively by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), representatives of the edible horticulture sector and the Ontario Federation of Agriculture; and is administered by Agricorp.

What's new for 2012

- You must participate in AgriStability
- You must provide a valid premises identification number
- You must include a cheque with your deposit request
- The maximum contribution calculation has changed
- The Canada Revenue Agency has made changes to commodity line codes

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New

Program information that is new or different for 2012 is highlighted throughout the handbook.

Participation

Eligibility New

To be eligible for SDRM: Edible Horticulture in 2012, you must:

- Have produced at least one eligible commodity in Ontario in 2011. There are more than 150 eligible commodities, including fruits, vegetables, herbs and spices, mushrooms, nuts, honey and maple products (see Appendix I on page 9 for a full list).
- Have filed a T1163 with the Canada Revenue Agency or submitted a Statement A to Agricorp for 2011.
- Have a minimum of \$5000 in allowable net sales (ANS) according to the calculation on your deposit notice.
- Make a deposit to your SDRM account. Submit a completed deposit request and a cheque made payable to Agricorp by the deadline indicated on your forms.
- Participate in AgriStability for 2012.
- Provide a premises ID number. To obtain your premises ID, go to www.ontariopr.ca or call 1-855-697-7743.

Processing or resale

The income and expenses associated with the purchase and resale of an eligible commodity without any further processing are non-allowable. For example, if you purchase produce and simply resell the produce without any processing, you cannot claim the sales from this produce under SDRM: Edible Horticulture.

Processing is defined as a changing of state, such as converting strawberries to jam.

The income and expenses associated with the processing of purchased commodities not produced on your operation are allowable if:

- You operate a genuine farming business,
- Activities are related to your other farming activities,
- Activities are undertaken on a small scale, and
- Income from these activities is incidental to your other farming income.

Agricorp will consider the above in determining whether processing income and expenses should be considered eligible.

All producers' files are subject to audit.

How the plan works New

SDRM: Edible Horticulture allows you to deposit funds to cover risk to your farm business. The Ontario government will match your deposit, up to the maximum contribution indicated on your deposit notice. You can then withdraw all funds to cover any loss or expense you incur.

The government contribution is made when the deposit is processed and considered farming income for tax purposes in the year of the government contribution, regardless of the year of the program or the year the funds are withdrawn. For example, if you submit a deposit request in September 2012, the government makes a deposit in September 2012 and that contribution is taxable in 2012. For a deposit submitted in February 2013, the contribution would be taxable in 2013. Allow up to 20 days to process your deposit.

Funds in SDRM accounts do not earn interest.

The funds are held in an account by Agricorp. You do not need to open a bank account.



Allowable net sales and maximum contributions

New

The maximum amount that the government will match is based on your allowable net sales (ANS), as reported on your 2011 tax forms (T1163 or Statement A). This maximum is calculated by Agricorn and detailed on your personalized deposit notice.

Your ANS is the net total allowable sales of eligible commodities minus your total allowable eligible commodity purchases.

Your maximum government contribution is a variable percentage of your ANS as follows.

If your ANS for the 2011 tax year is:

- \$2.5 million or less, your maximum contribution equals 2% of your ANS.
- between \$2.5 million and \$5 million, your maximum contribution equals 2% of the first \$2.5 million, and 1.5% of the balance of your ANS.
- greater than \$5 million, your maximum contribution equals 2% of the first \$2.5 million; 1.5% of the amount over \$2,500,000 to \$5 million; and 1% of the balance of your ANS.

Examples

| Allowable net sales (ANS) | Up to \$2.5 million (x 2.0%) | + | Between \$2.5 million and \$5 million (x 1.5%) | + | Over \$5 million (x 1.0%) | = | Maximum government contribution |
|---------------------------------------|----------------------------------|---|--|---|--------------------------------|---|---------------------------------|
| Example 1 ANS = \$50,000 | \$50,000 x 2% = \$1,000 | + | — | + | — | = | \$1,000 |
| Example 2 ANS = \$4 million | \$2.5 million x 2% = \$50,000 | + | \$1.5 million x 1.5% = \$22,500 | + | — | = | \$72,500 |
| Example 3 ANS = \$6 million | \$2.5 million x 2% = \$50,000 | + | \$2.5 million x 1.5% = \$37,500 | + | \$1 million x 1% = \$10,000 | = | \$97,500 |

Making a deposit

1. Complete the deposit request found in the package we mailed to you.
2. Include a cheque for the deposit to be completed. Make the cheque payable to Agricorn (post-dated cheques will not be deposited).
3. Submit the deposit request and cheque to Agricorn by February 1, 2013 or 90 days after the date on your deposit notice; whichever is later.

Requesting a withdrawal

1. Complete the the withdrawal request found in the package we mailed to you. Choose to withdraw the full balance of your SDRM account or indicate the amount you choose to withdraw on the withdrawal request. The minimum withdrawal is \$200. The maximum withdrawal amount is the balance of your account.
2. Indicate a reason for the withdrawal. Funds may be used to cover a reduction in income, an investment in risk management tools or other expenses or losses related to your farm operation.
3. Send to Agricorn. To receive a cheque within the calendar year, submit both your deposit and withdrawal requests to Agricorn by October 31, 2012.

Withdrawal requests are processed upon receipt. Allow up to 20 days to process each request.

You can submit the deposit request and withdrawal request forms together.

Terms and conditions

Understanding your SDRM account

- Your SDRM account is set up and held by Agricorp on your behalf.
- Funds in your SDRM account do not earn interest.
- Only one deposit will be accepted per program year.
- You may not assign funds to a third party.
- Deposits and withdrawals for SDRM: Edible Horticulture are non-allowable income under AgriStability and will not affect reference or production margins.
- Insurance payments related to edible horticulture production, including Production Insurance, will be considered eligible income in calculating your ANS for SDRM: Edible Horticulture.
- The government contribution is considered farming income for tax purposes. Agricorp issues AGR-1 statements for income tax the year the deposit is made, regardless of which year the funds are withdrawn.
- Your SDRM account balance cannot exceed 50 per cent of the most recent five-year average of your allowable net sales. Deposits are not accepted or matched by government contributions once the account balance reaches this limit.
- If there are no deposits to or withdrawals from your SDRM account for three consecutive years, Agricorp will close the account and issue you a cheque for the remainder of the funds in the account.
- OMAFRA and Agricorp have absolute discretion to refuse or withhold any government contributions to any participant.

Linkages to AgriStability

If you qualify for benefits in AgriStability, government contributions to your SDRM account for the 2012 program year are counted as an advance on the 40 per cent provincial portion of your 2012 AgriStability payment. You keep the greater of either the government contribution to your SDRM account or the provincial portion of the AgriStability payment. If you participate in more than one RMP plan, the sum of all your RMP payments will be offset against AgriStability. RMP has no impact on the federal portion of AgriStability payments.

SDRM government contribution greater than AgriStability payment

If your government contribution for SDRM: Edible Horticulture is greater than the provincial portion of your AgriStability payment for the corresponding year, you will not receive the provincial portion of the AgriStability payment. You keep the full government contribution and the federal portion of your AgriStability payment.

Example

Assume you receive a government contribution of \$4,500. You are also eligible to receive an AgriStability payment of \$5,000, made up of a provincial portion of \$2,000 and a federal portion of \$3,000.

Because the government contribution is greater than the provincial portion of the AgriStability payment, you would receive \$7,500: the government contribution of \$4,500 plus the \$3,000 federal portion of AgriStability.

SDRM government contribution less than AgriStability payment

If your government contribution is less than the provincial portion of your AgriStability payment for the corresponding year, you will receive the government contribution, the federal portion of the AgriStability payment and the remainder of the provincial portion of the AgriStability payment (total provincial AgriStability payment minus the government contribution).

Example

Assume you receive a government contribution of \$4,500. You are also eligible for an AgriStability payment of \$20,000, which includes a provincial portion of \$8,000 and a federal portion of \$12,000.

Because the government contribution is less than the provincial portion of the AgriStability payment, you would receive \$20,000: the federal portion of AgriStability, plus the provincial portion minus the total government contribution, plus the SDRM government contribution.

Adjusted AgriStability payment

$$\begin{aligned} &= \text{federal portion} + \left(\begin{array}{l} \text{provincial portion} \\ - \text{SDRM government contribution} \end{array} \right) \\ &= \$12,000 + (\$8,000 - \$4,500) \\ &= \$15,500 \end{aligned}$$

Plus SDRM government contribution

$$\begin{aligned} &+ \$4,500 \\ &= \$20,000 \end{aligned}$$

RMP payments from more than one plan

If you participate in more than one RMP plan, the sum of all RMP payments will be offset against AgriStability.

Example

Assume you receive a total RMP payment of \$4,500, but split between three plans (*RMP: Grains and Oilseeds, SDRM: Edible Horticulture, and RMP: Cattle*).

You are also eligible to receive an AgriStability payment of \$5,000, made up of a provincial portion of \$2,000 and a federal portion of \$3,000.

You would receive \$7,500: the total RMP payments of \$4,500 plus the \$3,000 federal portion of the AgriStability payment.

Balances owing to the Crown

Agricorp is required to recover outstanding amounts owed to the Crown, including any RMP overpayments that may occur. Overpayments can occur as a result of program advances, clerical errors, application or reporting errors or changes in your farm operation.

Overpayments from other programs will be recovered from RMP payments according to the recovery policy in force at the time the recovery is made.

Your withdrawal summary will show any recovery made from your account.

Non-compliance and misconduct

You will have to repay any or all funds you receive under SDRM: Edible Horticulture that are not in accordance with the eligibility requirements set out in the deposit and withdrawal materials and this handbook, and/or laws of Ontario and Canada. Repayments are due within 30 calendar days of the date of Agricorp's notice to you. Failure to make repayment creates a debt to the Crown that can be offset against any money the Crown owes to you.

Participation may be cancelled if you in any way give false or misleading information, fail to meet the program requirements or commit fraud.

Collecting and protecting your information

Information collected under SDRM: Edible Horticulture for 2012 is collected and used by Agricorp to administer the Risk Management Program on behalf of OMAFRA. Information collected may be used and disclosed for the purpose of administering, auditing and evaluating the program. This includes sharing information with OMAFRA. Agricorp may also use information collected under the program for the purpose of administering and/or auditing shared cost programs and provincially or federally subsidized programs. Information is collected and used by Agricorp only for the purpose of making payments under this program. Information will be shared with the Canada Revenue Agency for the purpose of issuing tax receipts for payments and, where necessary, for the purpose of auditing and collection of overpayments. Questions about the

collection of this information can be directed to Agricorp's freedom of information (FOI) privacy specialist, Box 3660, Stn. Central, Guelph, ON N1H 8M4, 1 888 247-4999.

Any information may be disclosed by OMAFRA or Agricorp as obligated under the *Freedom of Information and Protection of Privacy Act*, R.S.O. 1990, c. F.31, by an order of a court or tribunal, or pursuant to a legal proceeding.

Retaining your records

You must retain all invoices and records supporting the tax information used for your SDRM account, for a period of six years. You will have to make these invoices and records available to Agricorp in the event of an investigation or to determine any matter relating to SDRM: Edible Horticulture.

Requesting a review

If you disagree with a decision about your account or your eligibility for SDRM: Edible Horticulture, please contact Agricorp. You have 90 days from receiving notice from Agricorp to raise the issue. Agricorp will review your file and provide a decision on the issue.

If you are not satisfied with Agricorp's decision, you may request a review by the Business Risk Management Review Committee (BRMRC). A written request must be submitted within 90 calendar days of receiving the written decision from Agricorp following the review of your file. This request must contain the following:

- The nature of the request for review. The request for review must set out the decision that you want the BRMRC to review;
- The ground(s) which you intend to rely upon during the request for review; and
- The information and documentation that you will rely upon during the request for review.

An Agricorp representative can provide more information on how to make a request to the BRMRC.



Definitions

| | |
|----------------------------------|---|
| AgriStability | A program delivered by Agricorp in Ontario, which covers margin declines, on a whole farm basis, caused by any combination of production losses, adverse market conditions or increased costs. If a producer's margin falls below 85 per cent of their recent average, AgriStability helps to offset the difference. The deadline to enrol in AgriStability is April 30 every year. |
| Allowable net sales (ANS) | The basis of the maximum contribution; allowable sales minus allowable purchases as reported on your 2011 taxes and calculated by Agricorp. |
| Deposit notice | A notice sent to producers outlining their allowable net sales (ANS) and deposit limits for the program year. |
| Deposit request | The form to be completed and submitted to deposit funds into an SDRM account and receive a matching government contribution. |
| Eligible commodity | An Ontario-grown or produced commodity of any of the more than 100 commodities listed in Appendix I. |
| Premises identification | A program that assigns a unique identifying number to a parcel of land associated with agri-food activities. Premises ID provides advantages, including effective emergency responses, reliable location verification of shipments and deliveries and quick traceability of suspect materials or products. A premises ID is required to participate in SDRM: Edible Horticulture. To obtain a premises ID, go to www.ontarioppr.ca or call 1-855-697-7743. |
| Production Insurance | A program delivered by Agricorp which covers production losses and yield reductions caused by insured perils. |
| Program year | The 2012 program year for SDRM: Edible Horticulture runs from April 1, 2012 to March 31, 2013. |
| SDRM account | An account established with Agricorp through which all SDRM deposits, contributions and withdrawals flow. |
| Withdrawal request | The form to be completed and submitted to Agricorp to withdraw funds from the SDRM account. |

Appendix I: Eligible commodities

The Canada Revenue Agency has made changes to commodity codes starting for the 2011 tax year as part of an effort to simplify reporting requirements and remove duplicate or redundant codes.

New

Commodity codes include eligible by-products of that commodity. For example, *apples* includes eligible apple by-products.

Berries

- 65 Currants (black, red)
- 66 Blackberries
- 67 Blueberries
- 68 Cranberries
- 74 Elderberries
- 69 Gooseberries
- 75 Haskap
- 70 Loganberries
- 71 Raspberries
- 72 Saskatoon berries
- 76 Seabuckthorn
- 73 Strawberries

Edible horticulture

- 131 Mushrooms
(including spawn)
- 140 Nuts (all)

Fruit

- 60 Apples
- 91 Apricots
- 168 Cantaloupe
- 92 Cherries (sweet, sour)
- 81 Fruit juice
- 83 Grapes
- 84 Kiwi fruit
- 185 Melons
- 93 Nectarines
- 94 Peaches
- 95 Pears
- 96 Plums
- 97 Prunes
- 87 Watermelons
- 88 Wine

Herbs and spices

- 101 Anise
- 102 Basil
- 103 Caraway seed
- 158 Chervil
- 104 Chives
- 105 Cilantro
- 106 Comfrey
- 107 Coriander
- 144 Cumin
- 108 Dill
- 142 Echinacea
- 110 Fennel
- 111 Fenugreek
- 377 Fireweed
- 113 Garlic
- 380 Ginkgo biloba
- 114 Ginseng
- 379 Lavender
- 978 Lemon balm
- 115 Marjoram
- 116 Mint
- 117 Monarda
- 118 Oregano
- 119 Parsley
- 120 Pepper
- 121 Rosemary
- 122 Sage
- 123 Salsify
- 381 St. John's wort
- 125 Summer savory
- 126 Tarragon
- 127 Thyme
- 128 Watercress

Vegetables

- 160 Artichokes
- 190 Arugula/rocket
- 161 Asparagus
- 025 Beans, fresh
- 162 Beets
- 163 Bok choy
- 164 Broccoflower
- 165 Broccoli
- 166 Brussels sprouts
- 167 Cabbage
- 169 Carrots
- 170 Cauliflower
- 171 Celery
- 173 Chinese vegetables
- 174 Collards
- 175 Cucumbers
- 176 Eggplant
- 177 Endive
- 179 Fiddleheads
- 221 Gherkins
- 223 Green peas
- 181 Horseradish
- 214 Kale
- 182 Kohlrabi
- 183 Leeks
- 184 Lettuce
- 186 Mustard leaves
- 227 Okra
- 187 Onions
- 190 Parsnips
- 191 Peppers
- 147 Potatoes and by-products
- 192 Pumpkins
- 193 Radishes

- 194 Rhubarb
- 197 Rutabagas
- 198 Shallots
- 210 Spinach
- 202 Squash
- 230 Stevia
- 203 Sweet corn
- 204 Sweet peas
- 205 Sweet potatoes/yams
- 206 Swiss chard
- 207 Tomatoes
- 208 Turnips
- 209 Vegetable marrow
- 212 Witloof chicory
- 213 Zucchini

Vegetables – greenhouse

- 233 Cherry tomatoes
- 234 Cucumbers
- 235 Lettuce
- 236 Peppers
- 237 Tomatoes

Other products

- 129 Honey
- 130 Maple products

No liability to the Crown: Her Majesty the Queen in right of Ontario is not liable to you, your agent, employees or associates for any damage, injury, claim or loss whatsoever and regardless of cause, arising out of SDRM: Edible Horticulture and participation in SDRM: Edible Horticulture.

Notes:

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As an agency of the Government of Ontario, Agricorp works with government and industry partners to contribute to a vibrant and sustainable agricultural industry. Agricorp delivers risk management programs to help producers across all sectors manage all kinds of risk including financial, environmental and market security. The agency was established in 1997 by the provincial government under the authority of the *AgriCorp Act, 1996*. Agricorp administers SDRM: Edible Horticulture on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA).