

Livestock Financial Protection Board
2019-20 Annual Report

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Message from Chair

As the Chair, on behalf of the Livestock Financial Protection Board (LFPB or Board), I am pleased to present to you the Annual Report describing the work for the year ending March 31, 2020.

As a Board, we continue to focus on administering the Fund for Livestock Producers (Fund); investigating claims; granting or refusing the payment of all claims and recovering any money to which the Board is entitled. As the Fund administrator, one of our goals is to ensure long-term sustainability of the Fund. Once again, the Fund's investment strategy helped with the Fund maintaining both a healthy and stable funding ratio, considering the unpredicted low interest rates.

The following are some highlights for the 2019-20 fiscal year:

- The Fund remained actuarially sound with a balance of \$8.26 million (\$2.96 million above the actuarial target of \$5.30 million);
- Investment income of \$287,904;
- Rate of return on investment of 3.95%;
- One new board member was appointed and two were re-appointed including myself as Chair;
- Continue to work with OMAFRA to support the financial protection programs review and to identify opportunities to ensure that livestock producers and licensed dealers have access to stable risk management tools.

In 2019-20, the Board received two new claim applications regarding non-payment from licensed dealers. The Board reviewed and discussed these claims presented and decision letters were sent to the claimants (seller) and defaulters (buyer). The Board also made decision on two claims that were carried-over from 2018-19 fiscal year (there was a hearing held in April 2019 for one of the claims). Letters were sent to the parties regarding the Board's decision. See Appendix 1 for more details).

Ontario's 2019 budget committed the government to a review of the financial protection programs to ensure that beef cattle (and grain) producers and licensed livestock dealers have access to stable risk management tools that provide the confidence to invest in and grow their businesses. As part of this review a new Minister's regulation (O. Reg. 467/19) under the *Farm Products Payments Act* (FPPA) effective January 1, 2020 was introduced that requires the Board to pay for all administrative program delivery costs (licensing, enforcement, fund management and claims adjudication).

A provision also included in the regulation requires the LFPB to pay investigative and some legal costs under the FPPA effective April 1, 2020. The Board has indicated to OMAFRA that they intend to continue to use the ministry to support its legal and investigative services. These expenses will be reflected in Board's 2020-21 annual report.

Looking forward, the Board will continue to focus on ensuring the sustainability of the Fund and integrity of the program as we continue to meet our mandate.

Respectfully submitted,

Larry Witzel
Chair, Livestock Financial Protection Board

Governance

The LFPB is classified as a Board-Governed Provincial Agency (Trust) under the Agencies & Appointments Directive (AAD).

The Board operates at arm's length from the Government but is accountable to the Government in exercising its mandate. The Board members are accountable to the Minister of Agriculture, Food and Rural Affairs (the Minister), through the Chair, for setting goals, objectives, and the strategic direction. The Board operates under the authority of the FPPA, Ontario Regulations 560/93: Fund for Livestock Producers and O. Reg 467/19: Boards' Payment of Expenses and in accordance with the Memorandum of Understanding (MOU) between the Minister and the Chair.

The Board is the administrator of the Fund and is ultimately responsible for its management and administration including investigating and adjudicating claims under the program, collecting fees for the program and recovering any money it is entitled under the Act.

Memorandum of Understanding (MOU)

A MOU reflects the relationship between the Board and Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA or Ministry) and establishes the accountability framework between the Minister and the Chair. The MOU outlines the responsibilities between the Minister, the Chair, the Deputy Minister and the Board as well the administrative, financial, and auditing arrangements with OMAFRA.

Effective July 24, 2019, the Board Chair and Minister affirmed the continued use of the existing MOU. The MOU is effective until it is revoked or the parties sign a new MOU.

About the Board

Mandate of Board

The Board is responsible to the Minister and is constituted under the authority of the FPPA and its regulations:

- *Ontario Regulation 560/93 – Fund for Livestock Producers*
- *Ontario Regulation 321/11 – Fees Payable to Boards*
- *Ontario Regulation 467/19 – Boards' Payment of Expenses*

The Board's legislative mandate is outlined in section 4(1) of the FPPA as follows:

It is the function of a board and it has power,

- a) to administer its Fund;*
- b) to investigate all claims made to it under the FPPA and to determine the extent of their validity;*
- c) to grant or refuse the payment of all claims or any part thereof and determine the amounts and manner of payment;*
- d) to recover any money to which it is entitled under the FPPA by suit in a court of competent jurisdiction or otherwise; and*
- e) to carry out the functions, and exercise the powers, prescribed by regulation.*

Board structure

Amendments to O. Reg. 560/93: Fund for Livestock Producers became effective January 1, 2020 by providing the Board with greater flexibility around quorum by removing quorum requirements from the regulation; and ensuring the Board composition better reflects the needs of the sector by removing the requirement that the Canadian Meat Council (CMC) be represented by a member.

The regulation does state that the Board shall be comprised of at least five members: one member representing the Beef Farmers of Ontario (BFO); one member representing the operators of community sales under the *Livestock Community Sales Act*; and other members as the Minister considers advisable. By convention, there has been one member from the Ontario Livestock Dealers Association (OLDA), one member from the Meat & Poultry Ontario (formerly Ontario Independent Meat Processors), one member from the Dairy Farmers of Ontario (DFO), one member from the Veal Farmers of Ontario (VFO) and there has also been one additional member from the BFO.

Members of the Board are appointed by the Minister for terms up to three years and may be reappointed. The regulation also requires the Minister to appoint a Chair and a Vice-Chair from among its members.

These individuals, in addition to administering the Fund, draw upon their expertise in the livestock industry in hearing and adjudicating cases before them. The Board may also call upon technical experts and professionals to provide assistance. The Board is made up of industry representatives from a wide range of the livestock industry sectors. This broad industry knowledge is important in understanding the clientele and the claim files.

In 2019-20, one new board member was appointed and two members re-appointed including the Board Chair. As of March 31, 2020, there are seven board members, which includes the Chair and Vice-Chair. The table below shows the members and the term of their appointments.

Board membership (as of March 31, 2020)

Position	Member	Term	Location
CHAIR (PART-TIME)	LARRY WITZEL	17-Apr-2007 – 31-Mar-2022 (Chair since Apr-2017; re-appointed April 1, 2019)	TAVISTOCK
VICE-CHAIR (PART-TIME)	PAUL SHARPE	02-Dec-2017 – 28-Feb-2022 (Vice-Chair since Dec-2015)	GUELPH
MEMBER (PART-TIME)	MURRAY ALLEN	05-Sept-2008 – 28-Jan-2021	ALFRED
MEMBER (PART-TIME)	LAURIE NICOL	20-Apr-2018 – 31-Mar-2021 (re-appointed April 1, 2019)	GUELPH
MEMBER (PART-TIME)	JENNIFER HALEY	06-Oct-2008 – 05-Oct-2021	ST. GEORGE
MEMBER (PART-TIME)	HOWARD GREIG	06-Mar-2019 – 05-Mar-2022	OWEN SOUND
MEMBER (PART-TIME)	BLAIR WILLIAMSON	28-Feb-2020 – 27-Feb-2023 (New member in 2019-20)	LAMBTON SHORES

Board Staff

The Board does not have staff. Since January 1, 2019 the Board has entered into a service agreement with Agricorp for governance, secretariat and financial services support for the Board to adjudicate claims, which includes coordination, attendance and preparing draft documents. Other services include assisting the Board in preparing its annual report, business plan and other documentation required for compliance with the MOU and the Agencies & Appointments Directive (AAD). The current agreement is effective until March 31, 2022.

As part of the financial services support to the Board, Agricorp is the investment manager for the Fund. As the investment manager of the Fund, Agricorp finance staff investigate investment options and prepare formal proposals and recommendations for the Board's consideration. Proposals are made considering the Board's current investment policy and the direction as outlined in the MOU. The LFPB directs Agricorp finance staff to execute investment decisions.

Agricorp staff that provide the services to the Board are not involved in the review and licensing of livestock dealers and inspection components of the program. These functions are separate to avoid any perception of a possible conflict of interest when supporting the Board in its adjudicating of claims that arise, while protecting the integrity of the Program.

Legal services and inspection services

Effective April 1, 2020 pursuant to the new Minister's regulation (O. Reg. 467/19) under the FPPA, the Board is required to pay investigative and most of the legal costs from the Fund (previously covered by the Ministry). The Board has indicated to OMAFRA that they intend to continue to use the ministry to provide its legal and investigative services.

Legal services are retained through the Ministry of the Attorney General through the Ministry of Agriculture, Food & Rural Affairs Legal Services Branch. The lawyer assigned provides the Board with advice, on agreements, any judicial reviews of Boards decisions, claims, and recovering monies owed to the Board, and also contributes to the continuing education of Board members.

The Ministry's Regulatory Compliance Unit in OMAFRA provides the Board with Compliance and Advisory Officers (inspection staff) upon the Board's request for service.

Operational performance and activities

The Board's activities are geared towards fulfilling its mandate. There were eight Board meetings in the 2019-20 fiscal year (two held in-person and two by email) and four held via conference call).

The Office of the Auditor General conducts an annual audit of the accounts and financial transactions of the Board. The audit of the 2019-20 fiscal year was completed in February 2021 with an unqualified opinion. The Fund for Livestock Producers continues to meet the minimum target balances as outlined in the 2015 actuarial report.

Administer the Fund for Livestock Producers

The key activity of the Board is for the overall governance and administration of the Fund including oversight and management of the Fund's investments to ensure financial compensation is available for livestock producers and licensed dealers when required.

All income in the Fund comes from remittance fees, investment income and monies recovered after payment of claims. Contribution of remittance fees to the Fund is mandatory and is based on a fixed rate per head of livestock in a transaction. Under *O. Reg. 321/ 11- Fees Payable to Boards*, a fee of ten cents per head of cattle sold is payable to the Board, unless the sale is on consignment, in which case the ten cent fee is owed by each of the consignee and consignor.

Fees are self-reported and remitted by the buying dealer on behalf of the producer when the sale is made directly by a producer, by the selling dealer when the sale is by a dealer, and by the consignee on behalf of the consignor and on their own behalf, where the sale is on consignment. Fees are payable on or before the 15th day of the month following the month of sale unless less than 1,000 head are sold or purchased annually, in which case the fee is payable annually.

The Fund is used to:

- Provide compensation to qualified sellers in the event that certain buyers default on their payment obligation (pay approved claims under O. Reg. 467/19);
- Pay all expenses relating to the administration costs of the licensing of dealers under the LLPA with respect to the delivery of the Program effective January 1, 2020 (except expenses related to appeals to the Agriculture, Food and Rural Affairs Appeal Tribunal; judicial reviews or expenses related to any subsequent appeals under the LLPA; and expenses incurred by the ministry to administer the LLPA);
- Pay for investigation and legal fees associated with the adjudication of claims;
- Pay for professional, technical or other assistance to or on behalf of the Board (e.g. actuarial review).

The Fund is not used for board remuneration as this is provided from the Ministry as board members are employees who are public servants employed under Part 111 of the *Public Service of Ontario Act, 2006, S.O. 2006, c. 35*.

Transition from previous vendor to Agricorp for program delivery

Since January 2019, Agricorp has been delivering certain aspect of the Program. There are certain aspects that still need to be transitioned from OMAFRA's Animal Health and Welfare Branch to Agricorp. As part of the Program delivery, Agricorp and OMAFRA have a phased approach to transition the Program. Currently in the interim delivery phase, OMAFRA's Director in AHWB is remaining the LLPA Director with authority for licensing. Agricorp is assisting with the licensing components for determining financial responsibility of dealers based on a financial assessment. Both parties are collaborating on processes during this interim phase.

Agricorp and OMAFRA are in planning discussions to transition Program services that are currently provided by OMAFRA's AHWB to Agricorp. Currently costs incurred by AHWB for their administrative activities for licensing (e.g. development, distribution and capture of renewals), key communications channels (e.g. web site and list of licensed dealers), compliance/enforcement, inspection and Program

oversight (e.g. LLPA Director) are not included in the 2019-20 program administration costs and are being covered by OMAFRA.

The Board has an agreement with Agricorp and OMAFRA for the delivery of the Program.

Previously, Ontario Beef Cattle Financial Protection Program Inc. (Beef Inc.) provided OMAFRA and the Board with assistance in administering the licensing component of the Program and provided the Board with fund investment, administrative and adjudication support.

Claim inspection and adjudication

The process begins when the seller files a claim application with the Board or indicates an intention to file a claim.

Upon receiving a claim application, the Board may choose to seek investigation services from OMAFRA's Regulatory Compliance Unit (RCU) to complete an investigation into the claim and collect the pertinent information and documents relating to the claim from the claimant, the purchaser or other parties. This is then used so the Board can make an informed and impartial decision. When the investigation is completed, a report is made and presented to the Board who would then review and make a decision regarding payment from the Fund. The Board may offer an opportunity for the parties to make submissions or attend a hearing before making its final decision.

The Board determines the payment, if any, to be made from the Fund.

- If the Board decides that a claim from a producer made in respect of a dealer is valid, the Board pays 95 percent of the portion of the claim that it recognizes as valid.
- Where an approved claim relates to a licensed dealer selling to a producer or feeder cattle finance co-operative who defaults on payment, compensation is 85 per cent of the portion of the claim that the Board recognizes as valid, up to a maximum of \$125,000. In these cases, there is no compensation for claims of less than \$5,000. Where an approved claim relates to a licensed dealer selling to another licensed dealer, the Board pays 95 percent of the portion of the claim that it recognizes as valid.

The Board works to adjudicate cases within 60 days upon receiving the file from the investigator. Where a hearing is held, it may take longer to make a decision. After the claims adjudication process is completed, the Board sends a decision letter to the claimant and buyer. Claim decisions are based on the Board reviewing the claim application, the inspection report, any further submissions or testimony and in consideration of the FPPA and O. Reg 560/93.

In 2019-20, the Board received two new claim applications regarding non-payment from licensed dealers. The Board reviewed and discussed these claims presented and decision letters were sent to the claimants (seller) and defaulters (buyer). The Board also made decision on two claims that were carried-over from 2018-19 fiscal year (there was a hearing held in April 2019 for one of the claims). Letters were sent to the parties regarding the Board's decision. A total of \$64,695 was paid out from the Fund in 2019-20 and \$50,927 was recovered. (See Appendix 1 showing the history of claims to the Fund up to March 31, 2020).

Recovery of Money Owed

The FPPA enables the Board to attempt to recover any money to which the Board is entitled. The Board, through legal counsel and the LLPA Director, work to recover money owed to the Fund. (See Appendix 2 for recovery history). The Board has a recovery policy with an approach that the Board will make every reasonable attempt to recover monies that is owed to the Fund. Its objectives are to recover as much outstanding debt as is reasonably achievable using a variety of tools and options.

Actuarial review

As part of its ongoing efforts to ensure the solvency of the Fund, the MOU requires the Board to undertake periodic actuarial reviews. The Board has determined that a review every five years (or as needed) will be done in order to ensure the actuarial soundness of the Fund. The last actuarial review was completed in

2015 and a fee increase from five cents to ten cents per head was recommended and implemented on July 1, 2016 from five cents to ten cents per head. The next actuarial review is planned for 2020-21 fiscal year.

Financial Protection Programs Review

In the April 11, 2019 provincial budget announced updates to the financial protection programs and changes to the FPPA through Bill 100. The ministry is using a phased approach for the review to assess opportunities to update the Beef Cattle Financial Protection Program and the Grain Financial Protection Program to reduce burden to stakeholders, seek efficiencies and align the programs, while maintaining the programs' proven effectiveness at managing risk.

OMAFRA held engagement sessions where Board members participated in discussions on how these amendments could impact the Board. The first phase of the review focused on amendments to the FPPA to enable the Boards to take on a broader range of roles and responsibilities to address financial risk management and to cover a broader range of program administration costs from the Funds. This phase has been implemented with the new Minister's regulation.

OMAFRA is the policy lead for the ongoing review and will be continuing to work with the Board Chairs to identify specific next steps and to focus on identifying opportunities to reduce burden to stakeholders, seeking efficiencies and aligning the programs while maintaining the programs' proven effectiveness at managing risk.

Analysis of financial performance

The Office of the Auditor General of Ontario conducts an annual audit of the Board's financial statements. The LFPB's fiscal year is April 1 to March 31.

The Board administers the Fund established under the FPPA. Should a dealer or producer default, the Board adjudicates any claim(s) and determines the payment (if any) to be made from the Fund.

Fund Performance and Investments

The balance of the Fund at the beginning of the fiscal year was \$7,885,451 and at the end of fiscal 2019-20 it was \$8,259,229, an increase of \$373,778. There was a total of \$64,695.00 paid out from the Fund for claims and \$50,927.43 recovered. (See Appendix 3: Audited Financial Statements).

Investment income is one important source of revenue for the Fund. The Board is responsible for the prudent management of the Fund's investments and is required to invest the Fund in accordance with the principles in sections 26, 27, 27.1 and 27.2 of the *Trustee Act*.

The Board has an investment policy that outlines general investment goals and objectives of the Board and describes the strategies for investment of the Fund. The policy aligns with the guidelines set out in the MOU, which incorporates sections of the *Trustee Act*. Under the MOU, the Board must review the investment policy at least annually and amend it as required. Additionally, the investment policy must be reviewed by an actuary as part of any actuarial review to ensure it remains relevant to the prevailing and forecasted nature of the Fund's liabilities. Due to the transition from the previous vendor to Agricorp, an annual review of the investment policy did not occur in 2019-20 fiscal, however a review is being planned as part of the transition planning for 2021-22 fiscal.

The Board's asset mix currently includes investments that guarantee face value at redemption; generally this includes Guaranteed Investment Certificates (GICs) issued by financial institution or similar financial instruments. When possible, the Board staggers the terms and maturity dates of GICs and uses this laddering strategy to reduce the influence of interest changes and to maximize returns.

The Fund has issued a \$4 million first mortgage on development land in in the Regional Municipality of Waterloo. The current agreement has \$4 million principal at 5% interest paid semi-annually, maturing December 10, 2022.

Board Revenues

Interest income on investments totaled \$287,904 for the 2019-20 fiscal year. In 2018-19, investment income was \$261,664 and in 2017-18, investment income was \$246,024. The small increase over the last three years was due to increasing interest rates on GICs over the three years.

Contributions from remittance fees

The amount of money earned by the Fund from check-off fees was \$217,219 for 2019-20 fiscal year compared to \$206,302 for the 2018-19 fiscal year.

Board expenses

With the new Minister's regulation (O. Reg. 467/19) under the FPPA, effective January 1, 2020, the Board is required to pay for all expenses relating to the administration of the Fund for livestock producers under the FPPA. This includes expenses associated with licensing, inspections, enforcement, fund management, claims adjudication and payment of claims. Prior to this, the Ministry and the Board each paid a portion of the costs.

Provisions also included in the new Minister's regulation requires the Board to pay investigative and some legal costs under the FPPA effective on April 1, 2020 (except costs related to any judicial reviews to the

Divisional Court of the Board's decisions on claims and any appeals beyond). This is a new expense that will be reflected in the Board's financials for 2020-21 onward.

Currently in the interim delivery phase of the Program, OMAFRA's Director in AHWB is remaining the LLPA Director with authority for licensing. Costs incurred by AHWB for their administrative activities for licensing (e.g. development, distribution and capture of renewals), key communications channels (e.g. web site and list of licensed dealers), compliance/enforcement, inspection and Program oversight (e.g. LLPA Director) are not included in the 2019-20 program administration costs and are being covered by OMAFRA. The Board is not yet paying these licensing costs associated with AHWB. Once OMAFRA and Agricorp have completed the transition of these activities, these costs will be paid for by the Board.

Total Board operating expenses (excluding claims payment) in the 2019-20 fiscal year were \$117,577 which was \$126,509 under budget primarily due to the transition that occurred January 1, 2019 from the previous vendor to Agricorp. Agricorp invoices the Board for staff time worked by program/service for 2019-20. Budgets prior to 2019-20 were not set-up to report by activity and as such show a variance (see Financial position table below). The actual to budget is also lower than prior year as not all activities have been transitioned from OMAFRA to Agricorp.

Financial position

The table below shows the budget to actual and the variance for 2018-19 and the 2019-20 fiscal years.

	Budget 2018-19	Actual 2018-19	Variance 2018-19	Budget 2019-20	Actual 2019-20	Variance 2019-20
Opening Equity		\$7,591,604			\$7,885,451	
Revenue						
Fees	\$228,000	\$206,302	\$ (21,698)	\$228,000	\$217,219	\$(10,781)
Interest	\$290,000	\$261,664	\$ (28,336)	\$290,000	\$287,904	\$(2,096)
Total revenues	\$518,000	\$467,966	\$ (50,034)	\$518,000	\$505,123	\$(12,877)
Expenses						
Governance, Secretariat, Financial Service	-	-	-	-	\$41,866	\$41,867
Determining Financial Responsibility (see Note 1)	-	-	-	-	\$75,711	\$75,711
Administrative (see Note 2)	\$244,066	\$174,119	\$ (69,947)	\$244,066	-	\$(244,066)
Professional Fees (actuarial review)	-	-	-	-	-	-
Total Expenses	\$474,066	\$174,119	\$ (299,947)	\$244,066	\$117,577	\$(126,509)
Claims						
Claims paid	\$230,000	\$0	\$ (230,000)	\$230,000	\$64,695	\$(165,305)
Recoveries	\$(40,000)	\$0	\$ 40,000	\$(40,000)	\$(50,927)	\$(10,927)
Total claims paid	\$190,000	\$0	\$190,000	\$190,000	\$13,768	\$(176,232)

Net Surplus (Deficit)	\$ 89,934	\$ 293,847	\$209,913	\$83,934	\$ 373,778	\$289,844
Closing Equity		\$7,885,451		\$7,706,615	\$8,259,229	\$5352,614

Notes:

Note 1: Determining Financial Responsibility summary of activities: Financial review of each applications (validate, calculate score ratio, and assess financial responsibility), prepare file-financial recommendation for decision/ approval.

Note 2: Administrative expenses from 2018-19 were presented as one amount. In 2019-20 with a new vendor the costs are being presented by type of service which is consistent with invoicing from Agricornp. This line will not exist next year (2020-21).

Performance measures and targets

In its 2019-2022 Business Plan, the Board identified several key priorities for action. What follows is a brief summary of key accomplishments regarding each of these priorities in the 2019-20 fiscal year. The table below shows the targets achieved/not achieved and actions to be taken.

Goal: Protecting the long-term viability of the Fund for Livestock Producers			
Performance Measure/Indicator	Baseline 2009-10	Targets 2019-20	Targets achieved/not achieved and action to be taken
Unqualified audit opinion from the annual audit	Achieved	Ongoing	Achieved
The Fund remains actuarially sound with a balance of \$5.8M as recommended by the 2015 actuarial study.	\$5.8 M	\$6.15 M	Achieved - fund balance at \$8.26 million
Actuarial study completed approximately every five years to assess the long-term financial sustainability of the Fund considering the contribution and payout rates	July 2010	July 2015	Achieved - the Board completed an actuarial study in September 2015. Next actuarial review is scheduled for 2020-21 fiscal year.
Review investment policy annually to ensure that investment targets are met (e.g. return on investment) and take actions as necessary	ROI of 3.97 %	ROI of 3.5 %	Achieved - rate of return on investment of 3.95%
Stakeholders informed of Boards finances via annual inserts in the BFO's annual report	February annually	Ongoing	Achieved
Goal: Ensuring that there is an adjudication process in place that is simple, fair, and accessible, with minimal delays			

Number of days from receipt of report completed by investigators until the Board makes its decision (except where a hearing is held)	60	60	Achieved for the claims in which a hearing was not held.
Decisions issued on average in 10 business days of Boards decision.	Refer to FPPA and consult with legal counsel	Refer to regulation and consult with legal counsel	Achieved. Decision was communicated to all parties within 10 business days of Board's decision.
Number of judicial reviews where the court ruled against the Board's decision	0	0	There were no judicial reviews in 2019-20.
All payments from the Fund are in 100% compliance with the <i>FPPA</i> (monitoring to ensure compliance with section 5(2); 5(5) and 7(2))	Payments compliant with FPPA	Ongoing	Achieved. The Fund was used to pay Board expenses and claims as approved by the Board in 2019-20.
Board at quorum	5 or more members appointed	5 or more members appointed	Achieved. (Note the quorum requirement. has been revoked from the Reg. as of January 1, 2020).
Goal: Strengthening Board governance and accountability			
Annual Report submitted to the Ministry	120 days	90 days	Achieved
Business Plan submitted to the Ministry	March 31/ 10	Dec 31/18	Achieved. (Previous vendor submitted the Board's 2019-2022 business plan.)
Submit Quarterly Risk Assessment Report to the Ministry	Within 15 days of the end of the quarter	Ongoing	Achieved

Appendix 1: History of Claims up to March 31, 2020.

Year	# of Claims Received	# of Claims Paid	Amount Claimed \$	Amount Paid \$
1982	11	4	72,039.50	5,357.90
1983	12	5	377,713.20	135,476.30
1984	4	1	645.90	581.30
1985	23	11	287,441.00	258,696.90
1986	3	0	9,475.30	-
1987	142	15	1,813,633.50	1,451,326.50
1988	126	77	833,111.20	567,861.20
1989	8	5	66,882.60	46,715.50
1990	31	23	1,352,067.60	1,183,260.60
1991	2	0	9,810.80	-
1992	1	0	7,500.00	-
1993	1	0	-	-
1994	28	20	825,975.30	742,852.70
1995	2	1	12,110.70	10,899.60
1996	34	34	193,869.80	174,482.80
1997	2	0	17,852.50	-
1998	7	6	165,370.60	138,723.50
1999	1	1	11,384.60	7,969.20
2000	48	47	2,203,876.00	1,977,548.00
2001	142	125	995,275.60	807,618.80
2002	0	0	-	-
2003	17	8	3,782,026.70	210,319.00
2004	40	19	337,875.50	296,894.40
2005	10	6	211,152.40	70,842.90
2006	0	0	-	-
2007	0	0	-	-
2008	0	0	-	-
2009	18	1	703,100.80	18,727.90
2010	1	0	654,105.50	-
2011	38	22	2,230,621.71	567,980
2012	264	172	1,535,925.68	285,911.94
2013	61	61	1,225,030.94	1,218,609.00
2014	1	1	883.62	883.62
2015	4	3	192,596.12	164,451.82
2016	13	9	1,232,333.84	409,006.26
2017	0	0	-	-
2018	0	0	0	0
2019	2	0	174,954.96	0
2020	2	1	166,391.34	64,695.00
Total	1,097	677	\$21,703,034.81	\$10,817,692.64
Recovered				\$3,619,121.00
Net Paid Out				\$7,198,571.64

Appendix 2: History of Claims Recovered

Year	Amount Recovered (numbers are rounded)
Prior to 1998	\$1,135,254.00
1998	\$ 3,302.00
1999	\$ -
2000	\$ 435.00
2001	\$ 385,000.00
2002	\$ -
2003	\$ 39,760.00
2004	\$ 78,977.00
2005	\$ 119,950.00
2006	\$ -
2007	\$ 350,000.00
2008	\$ -
2009	\$ -
2010	\$ 31,044.00
2011	\$ 332,869.00
2012	\$ 216,541.00
2013	\$ 561,382.00
2014	\$ 291,809.00
2015	\$ -
2016	\$ 21,870.00
2017	\$ -
2018	\$ -
2019	\$ -
2020	\$ 50,927.00
Total Recovered	\$ 3,619,121.00

Financial Statements of

Livestock Financial Protection Board
(Fund for Livestock Producers)

Year Ended March 31, 2020

Management's responsibility for financial reporting

The accompanying financial statements have been prepared by management, 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. The financial statements include some amounts 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 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.



Becky Philpott
Chief Financial Officer, Agricorp



Theresa Moisan
Controller, Agricorp

February 22, 2021



INDEPENDENT AUDITOR'S REPORT

To the Livestock Financial Protection Board
and to the Minister of Agriculture, Food and Rural Affairs

Opinion

I have audited the financial statements of the Livestock Financial Protection Board (Fund for Livestock Producers) (the Board), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and fund balance 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 the Board as at March 31, 2020, the results of its operations 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 the Board 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and my auditor's report thereon, in the Board's 2020 Annual Report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 the Board'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 the Board either intends to cease operations, or has no realistic alternative but to do so.

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

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 the Board'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 the Board'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 the Board 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
February 22, 2021

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Livestock Financial Protection Board
(Fund for Livestock Producers)
Statement of financial position
As at March 31, 2020

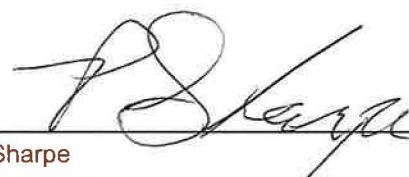
	2020	2019
Current assets		
Cash	\$ 1,001,045	\$ 2,029,499
HST recoverable	-	39,769
Short-term investments (note 3)	1,063,306	1,830,588
Total current assets	2,064,351	3,899,856
Long-term investments (note 3)	6,304,698	4,000,000
Total assets	8,369,049	7,899,856
Liabilities		
Accounts payable (note 5)	109,820	14,405
Total liabilities	109,820	14,405
Fund balance	8,259,229	7,885,451
Liabilities and fund balance	\$ 8,369,049	\$ 7,899,856

See accompanying notes to financial statements

Approved on behalf of the Board



 Larry Witzel
 Board Chair



 Paul Sharpe
 Board Vice - Chair

Livestock Financial Protection Board
(Fund for Livestock Producers)
Statement of operations and fund balance
Year ended March 31, 2020

	2020	2019
Revenue		
Fees	\$ 217,219	\$ 206,302
Interest income	287,904	261,664
Claim recoveries	50,927	-
Total revenue	556,050	467,966
Expenses		
Administration (note 5)	117,577	174,119
Claim paid	64,695	-
Total expenses	182,272	174,119
Excess of revenue over expenses	373,778	293,847
Fund balance, beginning of year	7,885,451	7,591,604
Fund balance, end of year	\$ 8,259,229	\$ 7,885,451

See accompanying notes to financial statements

Livestock Financial Protection Board
(Fund for Livestock Producers)
Statement of cash flows
Year ended March 31, 2020

	2020	2019
Operating Activities		
Excess of revenue over expenses	\$ 373,778	\$ 293,847
Non-cash items		
Decrease in accrued interest	12,584	3,741
Working Capital		
Decrease in HST recoverable	39,769	5,245
Increase in accounts payable	95,415	14,405
Cash provided (used) from operating activities	521,546	317,238
Investing Activities		
Purchase of investments	(5,100,000)	-
Proceeds from investments	3,550,000	1,300,000
Cash (used) provided by investing activities	(1,550,000)	1,300,000
(Decrease) increase in cash	(1,028,454)	1,617,238
Cash, beginning of year	2,029,499	412,261
Cash, end of year	\$ 1,001,045	\$ 2,029,499

See accompanying notes to financial statements

Livestock Financial Protection Board

(Fund for Livestock Producers)

Notes to the financial statements

Year ended March 31, 2020

1. Establishment of the Board (Fund)

The Farm Products Payments Act (FPPA) designated the Livestock Financial Protection Board (Board) as the Board to administer the Fund for Livestock Producers (the Fund). The Fund was established effective June 12, 1982, by regulation made under the FPPA.

The purpose of the Fund is to protect livestock sellers against loss through default in payments by a buyer. For defaults in payments by dealers, claimants are reimbursed 95% of an approved claim. For defaults in payments by producers, claims over \$5,000 are paid the lesser of 85% of an approved claim and \$125,000. The Board seeks recovery of any claims paid from the defaulter.

Under Ontario Regulation 321/11, producers, licensed dealers, consignors and consignees are required to pay the Board a fee of ten cents per head of livestock.

As a Board-governed provincial agency, the Fund is exempt from income taxes.

2. Significant accounting policies

a) Basis of accounting

The financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards, including the 4200 series standards for government not-for-profit organizations.

b) Financial instruments

Financial instruments consist of cash, investments, HST recoverable and accounts payable.

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. Guaranteed Investment Certificates (GIC's) are recorded at cost plus accrued interest, which approximates fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and fund balances. A statement of remeasurement gains and losses has not been presented as there is nothing to report therein.

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 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 when realized.

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

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.

Livestock Financial Protection Board
(Fund for Livestock Producers)
Notes to the financial statements
Year ended March 31, 2020

c) Revenue recognition

The Fund's revenue is comprised of fees paid under the FPPA, investment income and claim recoveries.

Per regulation under the Act, fees are remitted to the Board directly by producers, licensed dealers and consignors as designated by regulation. Revenue from fees are earned and recognized when received.

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

Claim recoveries are recorded when received, due to the inherent uncertainty regarding the amount and timing of any recovery.

d) Expenses

Expenses are recorded on an accrual basis, net of recoverable sales tax.

3. Investments

	Fair Value Hierarchy		2020		2019
Short-term (<1 year)					
Financial institutions - GICs	Level 2	\$	1,002,104	\$	1,769,218
Mortgage on land	Level 2		61,202		61,370
Total short-term			1,063,306		1,830,588
Long-term (1 - 5 year)					
Financial institutions - GICs	Level 2		2,304,698		-
Mortgage on land	Level 2		4,000,000		4,000,000
Total long-term			6,304,698		4,000,000
Total investments		\$	7,368,004	\$	5,830,588

The Mortgage on Land is a mortgage on development lands in the City of Kitchener, Ontario bearing interest at 5% per annum. The Board renewed the mortgage agreement with the principal due December 10, 2022, with interest paid semi-annually. In the event of the sale or any other conveyance of all or part of the lands, at the option of the Board, the principal and accrued interest shall be immediately due and payable. At any time, the mortgagor can pay all or any part of the principal without notice or penalty.

The Fund's portfolio has interest rates ranging from 2.13% to 5% (2019 – 2.15% to 5%) with maturities ranging from March 2021 to February 2025 (2019 - February 2020 to December 2022).

Livestock Financial Protection Board
(Fund for Livestock Producers)
Notes to the financial statements
Year ended March 31, 2020

4. Financial instruments risk management

a) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. Credit risk on investment securities arises from the Funds' position in term deposits, corporate debt securities, and government bonds. Board investment policy restricts the types of investments which reduces credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to meet all cash flow obligations as they come due. The Board seeks to limit its liquidity risk by actively monitoring and managing its available cash reserves to ensure that it is able to satisfy financial liabilities as they come due. Cash that is surplus to working capital requirements is managed by the Board and invested in accordance with its investment policy.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises three types of risk: currency risk, interest rate risk and equity risk. Currently, the Fund is exposed only to interest rate risk.

d) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Funds' financial position, operations and cash flow. Fluctuations in interest rates have a direct impact on the market valuation of the Funds' fixed income securities portfolio.

Although investments are generally held to maturity, realized gains or losses could result if liquidation of 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.

Mortgage on Land is a fixed rate debt instrument, which is not subject to interest rate fluctuations.

5. Related party transactions

Effective April 1, 2017, an updated Memorandum of Understanding between the Board and the Minister of Agriculture, Food and Rural Affairs (OMAFRA) re-established that the Fund is responsible for expenses related to governance, secretariat, financial services, and the costs of financial responsibility review.

As a result of a new regulation (O. Reg 476/19) under the FPPA effective January 1, 2020, the Board shall pay for all expenses relating to the administration of the fund for livestock producers under FPPA. Under the new regulation, the Board will also pay expenses associated with licensing, inspections and enforcement under the *Livestock and Livestock Products Act*, previously paid by OMAFRA.

Prior to January 1, 2019, the above services were provided by Ontario Beef Cattle Financial Protection Inc. (Beef Inc., not a related party). Effective January 1, 2019, the Board acquires the above services from Agricorp. For the year ended March 31, 2020, the services provided by Agricorp totaled \$109,820 (2019 – Beef Inc: \$159,485; Agricorp: \$14,405) and are included in the statement of operations and fund balances.

Certain administrative expenses, specifically the cost of Board meetings and investigative services, are absorbed by OMAFRA and legal services are provided at no cost by the Ministry of the Attorney General and are not included in the statement of operations and fund balances.